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Bausch Health Companies Inc (BHC) CEO Joseph Papa on Q2 2020 Results - Earnings Call Transcript

Aug. 06, 2020 2:05 PM ET | **Bausch Health Companies Inc. (BHC)** | 14 Comments

Q2: 2020-08-06 Earnings Summary

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EPS of $0.46 misses by $0.19 | Revenue of $1.66B (-22.68% Y/Y) misses by $121.35M

Bausch Health Companies Inc (NYSE:BHC) Q2 2020 Results Earnings Conference Call August 6, 2020 8:00 AM ET

Company Participants

Arthur Shannon - Senior Vice President, Head of Investor Relations and Communications

Joseph Papa - Chairman and Chief Executive Officer

Paul Herendeen - Executive Vice President and Chief Financial Officer

Conference Call Participants

Christopher Schott - J.P. Morgan

Gregg Gilbert - SunTrust Robinson Humphrey

Umer Raffat - Evercore ISI

Akash Tewari - Wolfe Research

David Amsellem - Piper Sandler

David Risinger - Morgan Stanley

Ken Cacciatore - Cowen and Company

Operator

Good morning. My name is Christine. I will be your conference operator today. At this time, I would like to welcome everyone to the Bausch Health Companies Second Quarter 2020 Financial Results Conference Call. All participants will be in listen-only mode and the floor will be open for your questions following the presentation. [Operator Instructions].

At this time, it is my pleasure to turn the floor over to your host. Mr. Shannon, you may begin your conference.

Arthur Shannon

Thank you, Christine. Good morning, everyone, and welcome to our second quarter 2020 financial results conference call. Participating on today's call are Chairman and Chief Executive Officer, Mr. Joe Papa, and Chief Financial Officer, Mr. Paul Herendeen. In addition to this live webcast, a copy of today's slide presentation and a replay of this conference call will be available on our website under the Investor Relations section.

Before we begin, we would like to remind you that our presentation today contains certain forward-looking information. We would ask that you take a moment to read the forward-looking statement legend at the beginning of our presentation as it contains important information.

This presentation contains non-GAAP financial measures. For more information about these measures, please refer to slide 2 of the presentation. Non-GAAP reconciliations can be found in the appendix of the presentation posted on our website.

Finally, the financial guidance in this presentation is effective as of today only. It is our policy to generally not update guidance until the following quarter and not to update or affirm guidance other than through broadly disseminated public disclosure.

With that, it's my pleasure to turn the call over to Joe.

Joseph Papa

Thank you, Art. And thank you for joining us today. I'm going to begin today's call by sharing our current perspective on the COVID recovery process and briefly cover the second quarter highlights. Paul Herendeen, our CFO, will then review the second quarter in more detail and update our 2020 guidance. I will conclude by covering the core priorities we have identified to drive Bausch Health future before opening the line for questions.

But before I address these topics, I'd like to comment on this morning's announcement that we have decided spin off our eye health business as an independent, publicly-traded company. The spinoff will establish two separate companies. It's fully integrated, pure play eye health company built on the iconic Bausch + Lomb brand and a long history of innovation and an international diversified pharmaceutical company with leading positions in gastroenterology, dermatology, esthetics, neurology, and in international pharma business.

Four years ago, we initiated a multi-year plan, first to stabilize and then to transform Bausch Health into a company positioned to deliver long-term organic growth. Over that time, we have divested approximately $4 billion of non-core assets, paid down over $8 billion of debt, resolved nearly all of the significant legacy legal issues and managing the loss of exclusivity on a $1.4 billion product portfolio, while also investing in research and development, new product launches in core franchises with attractive growth opportunities.

Our board and management have been working over the last 12 months to determine how best to unlock value across our businesses and believe that separating into two highly focused and attractive standalone companies is the way to accomplish that goal.

We've looked at the value of our peer eye health companies like Alcon and Cooper, and believes that Bausch + Lomb would compare very favorably when investors have an opportunity to make a judgment about the relative value with the standalone business.

We also believe that now is the right time to begin the separation process, which requires us to complete several steps before a spinoff can occur. Because this process is in the very early stages, there are many details that have not yet been determined, such as leadership, capital structure and the anticipated financial impact. Our goal is to be in position to execute the spin off as soon as practicable once all the necessary conditions have been satisfied. We look forward to providing updated information and additional detail as the spin off process progresses.

With that, let's turn to slide five. Overall, we have successfully managed our supply chain and continue to make the essential products that are needed by our customers and patients during COVID.

COVID has impacted each of our businesses, but the amount varies by business and geography. For example, we are seeing variability by geography in the speed and magnitude of the recovery process.

In the United States, recovery appears to be pressing more quickly in our B&L Surgical, Vision Care and Ophtho Rx business. In fact, Consumer business was less impacted by COVID than our other business units.

In B&L Europe/Asia, recovery has been more gradual as consumers have been slower to return to normal habits despite reopening.

Another example of COVID variability is Salix. XIFAXAN, hepatic encephalopathy, prescription volume saw less COVID impact versus XIFAXAN prescriptions for IBS-D. Given these conditions, we will continue to focus on investing in our key promoted brands to increase market share, optimize our cost structure and invest in new technologies like e-commerce.

Turning to slide 6. A lot of data on the slide, but let me highlight a few key points. Overall organic revenue declined by 21% during the second quarter, but even during this challenging time, many of our brands and products were able to grow and gain market share.

Starting with Bausch + Lomb, an organic revenue decline of 24% was driven by reductions in elective surgery and reduced wearing contact lenses with COVID-19. However, several key launch products, VYZULTA and LOTEMAX SM, each had strong Rx growth, up 42% and 125% respectively compared to last year.

Most importantly, we continued to receive new product approvals. 510 clearance for INFUSE, our SiHy daily lens in the US, occurred and also an approval for Bausch + Lomb ULTRA in China.

Moving to Salix. While organic revenue declined by 21%, the segment had an LOE drag of approximately $39 million during the second quarter. We saw strong TRx growth from TRULANCE and RELISTOR which were up 50% and 6% respectively compared to the second quarter of 2019.

And XIFAXAN was impacted this quarter by COVID-related office closures, but script declines have started to reverse as of June 2020.

In Ortho Dermatologics, the closure of dermatology offices to stay at home orders resulted in an organic revenue decline of 5% for this segment. Dermalogics however grew reported revenue by 12%.

JUBLIA had TRx growth of 7% compared to last year and received an expanded indication to treat patients as young as six years old. We also launched ARAZLO in the US during the quarter.

With respect to DUOBRII, we did receive notice on July 23 that an ANDA has been filed. We have orange book listed patents for DUOBRII covering our product until 2036. We remain confident in the strength of DUOBRII related patent and will vigorously defend our intellectual property.

A few additional highlights. Christina Ackermann and her legal team recently solved two pending legacy legal matters. The SEC's investigation of the company's former relationship with Philidor and certain of our company's legacy accounting practices and public disclosures during the time period of 2014/2015.

Also, we resolved the Canadian securities class action litigation, which is subject to court approval.

Despite COVID headwinds, we've paid approximately $100 million of debt in the second quarter using cash generated from operations. The second quarter highlights demonstrate that we have a global, diverse portfolio of durable products and strong brands that are well positioned to grow market share and return to growth as the world recovers from the pandemic.

With that, I'll turn it over to Paul.

Paul Herendeen

Thanks, Joe. The story of Q2 2020 versus Q2 of 2019 comes down to one word, and that's COVID.

Please turn to slide 8. COVID was the primary driver in substantially reduced revenue across all of our business units. Overall, organic revenue declined 21%. All four segments declined, led by B&L International, down 24%; then Salix, down 21%; then diversified, down 17%; and finally, Ortho Derm with the smallest decline relative to Q2 of 2019, it was down 5%.

Within B&L International, as expected, Global Surgical suffered the greatest impact from COVID as non-essential surgeries essentially stopped in many markets. Global Surgical was down 48% overall. It was down 49% outside the United States and down 44% in the US.

We'd expected that the O-US surgical markets would begin to improve as the second quarter played out, and they did, but at a slow pace. Meanwhile, in the US, we saw quite a deep dip and then a pronounced recovery with US surgical revenue in the month of June down only 10% versus June of 2019. I'll talk a bit more about the pace of recovery of various businesses and geographies when I get to guidance.

Ophtho Rx was down 42%, not surprising due to the weighting of the products in this business that are used pre and post eye surgery. 60% of Ophtho Rx is in the US. And as we saw in the surgical business, the US part of the Ophtho Rx recovered nicely off of the floor that we saw in April.

Global Vision Care on an organic basis was down 37%, down 43% in the US and 34%. O-US. Outside the US, we had thought that Vision Care would show more life as social restrictions were eased. However, in the Asia Pacific region, which represents just less than 50% of our global Vision Care business, there have been some resurgences of COVID and the governments there have been quick to reimplement significant restrictions, albeit on a local level.

More importantly, we are seeing that consumers in Asia Pac and, to some extent, in Europe remain reluctant to go out to retail stores, are staying home more and not wearing their contact lenses while at home. Another overlay is that many of these economies are under pressure and consumers are constraining spending. That's all O-US.

US Vision Care fell to a very low level in April and then snapped back in June. Looking ahead, while there were and are plenty of headwinds in the US Vision Care business, we carried a bit of momentum into Q3 associated with the buzz surrounding the launch of our daily silicon hydro gel lens – that's INFUSE – and by eyecare professionals' acceptance of virtual engagement with BHC sales reps.

We're pretty proud of this. We were early in the process of finding ways to remain engaged with ECPs during the depths of the pandemic, and we believe that those efforts strengthened our US Vision Care teams' relationships with ECPs.

B&L Consumer was down 11% on an organic basis, down 15% outside the United States and only down 4% in the US. In the US, we did see some pantry loading in Q1. So, that took a little off the top of Q2 revenues.

On a consumption basis, both LUMIFY and PreserVision grew versus Q2 of 2019. The O-US consumer business correlated with the softness we saw in our O-US Vision Care business in our renu and Biotrue solutions, which are big parts of O-US consumer, lost quite a bit as they followed the lower utilization of contacts that I just spoke of.

Finally, International Pharma. As expected, this was more resilient than other parts of our company, and was "only" down 7% on a constant currency basis. Even within that, there was high variability as we had strength in Latin America and Africa/Middle East, but that was offset by weakness in Canada, Western Europe and Eastern Europe.

Moving on, Salix was down 21%. XIFAXAN was down 12% as volume declines overwhelmed the impact of improved net realized pricing. Volume was down primarily due to – this is for XIFAXAN now, was down primarily due to the COVID-19 pandemic, including – but also included reduced channel inventories relative to the prior-year quarter at the retail level, not the wholesale level.

In recent weeks, XIFAXAN Rx trajectories have been improving as GI offices reopen and our Salix sales teams are able to complete more face to face calls.

COVID took the top off of TRULANCE's terrific growth trajectory. And even still, Rxs in Q2 of 2020 were up 50% versus Q2 of 2019. Even with COVID, TRULANCE is emerging as a great storyline for us.

This was an opportunistic acquisition orchestrated by our colleague, Scott Hirsch, and then our Salix team is leveraging our strong position in the GI space to gain share at a great clip in the competitive IBS-C category.

TRULANCE year-over-year revenue was flat as we had to take reserves for additional rebates in conjunction with some recent managed care wins for TRULANCE, but the improved access should position TRULANCE to continue an impressive growth trajectory.

A few other items of note in Salix. On the good side, RELISTOR revenue was up 8% versus Q2 of 2019. Going the other way, the Apriso was a major growth drag. It was down $33 million versus Q2 of 2019. And Glumetza was down $25 million or about 60% on a huge volume uptick, but at very, very low realized net pricing. I think we foreshadowed that pretty well for you.

The Ortho Derm segment was off 5% with medical derm down 4% and Solta down 7%. In med derm. volumes fell off dramatically as derm offices were among the earliest to close down and slowest to ramp back up. We did benefit in the quarter from dramatically improved gross to nets for ELIDEL and SILIQ.

While Solta was down 7%, the Thermage FLX platform continued to deliver growth, although the pace of growth was clearly slowed by COVID.

Finally, our diversified segment was down 17%. The neuro business was off 13%. Hidden in there was continued solid performance of WELLBUTRIN and APLENZIN which together accounted for about 55% of neuro's revenues. We expected these brands to be resilient in the COVID world, and they were, with WELLBUTRIN growing 7% and APLENZIN plus 10%. The rest of the neuro story is around LOEs. That's Cuprimine, Isuprel, Mephyton, Xenazine and Syprine.

Generics was off 11%, mainly due to the impact of COVID-19 and dentistry was off 69% as dentist office were among the first to close.

So, total revenue was down 21% organically. We realized a small increase in net pricing relative to Q2 of 2019, and that was offset by the dramatic volume declines driven by COVID.

Turning to slide 9 and I'll walk down the P&L. Gross margin was unfavorable in Q2 of 2019 by some 230 basis points due to unfavorable variances triggered by COVID-related volume reductions. This is something that will persist throughout 2020.

Within operating expenses, SG&A were favorable by some $137 million versus Q2 of 2019, with a good chunk coming from selling, advertising and promotion. Obviously, in a shutdown situation, we held back on promotional programs, with a few exceptions for high value initiatives that were opportunistic on our part.

Selling, advertising promotion went down $123 million. Part of that was reduced sales incentive comp and distribution costs, both of which are down based on lower revenues. We also saw lower T&E with fewer sales reps actually in the field.

G&A was down modestly versus Q2 of 2019 due to lesser outside services. And R&D was down $9 million due to lower project spend as some clinical activities were forced to pause.

So, adjusted EBITDA was down $258 million and here's a shorthand way of how you could think about that. Reported revenue was down $488 million. COVID accounted for roughly $500 million of decline. LOEs accounted for another $78 million. And FX, another $27 million.

So, buried in there, we had some underlying growth of our non-LOE assets of some $117 million, but it was just obscured.

Gross margin, as I said, declined 230 basis points. So, gross profit declined some $350 million due to the revenue decline and another $40 million due to the decline in gross margin.

The favorable OpEx variance of $137 million offset a bit of the reduced gross profit, but adjusted EBITDA, as I said, was down $258 million versus Q2 of 2019.

Turn to slide 10, the cash flow summary. In the quarter, we generated $200 million of cash from operations. Importantly, we remain on track to generate roughly $1 billion of cash from operations in 2020.

Turn to slide 11, the balance sheet summary. We changed the presentation here to split out secured and unsecured debt. The takeaway here is that we continue to enjoy excellent liquidity. Our revolver was undrawn at the quarter close. And as you saw on the prior slide, we generated cash from operating activities in a very challenging quarter.

We have a bit of senior secured capacity to work with, if needed, but if you turn to slide 12, we don't have any debt maturities or mandatory amortization until 2023. So, we don't really have any pressing needs on the financing front right now.

A few other factoids of note. 80% of our debt is fixed rate and our average cost of borrowing is 5.95%. Now, I know that rounds to 6, but it is pretty remarkable for a company as levered as we are.

On to the guidance slide on slide 14. Before I get into the changes, I think it's worth a minute to talk about how we set guidance back in May. We modeled scenarios by type of revenue and by geography, including ranges of assumptions around the time of easing of social restrictions and then the shape of the recovery of our various revenue streams.

Those scenarios point to a wide range of outcomes. 90 days later, the pace of recovery has generally trended to the lower part of the range of our expectations from back in May.

Interestingly, the pace in certain of our US businesses has been on the stronger side. However, two regions in particular, Asia Pac and Western Europe, while recovering, are recovering more slowly.

Our thesis back in May was that the markets that saw the earliest onset of COVID would be the first to begin to recover and move back towards pre-COVID levels. Now, as I said, certain of the US businesses – that's Vision Care, Surgical and Ophtho Rx – snapped back and they ended up in the upper end of our forecasted ranges back in May. Salix, meanwhile, is tracking closer to the midpoint of our prior expectations, being May.

Outside the US, the shape of COVID recovery, and especially in Asia Pac and parts of Europe, are trending near the low end of the range of our May expectations.

So, net-net, the high end of our May guidance range for revenue was no longer in play. And we now expect our full year revenue to be in the lower half of the guidance range that we communicated back in May. Specifically, the revised ranges between $7.8 billion and $8 billion.

Similarly, we reduced the top end of our guidance for adjusted EBITDA with the new range being between $3.15 billion and $3.30 billion. We continue to believe that Q2 will be the quarter most impacted by COVID. Relative to what we thought back in May, we now believe that Q3 and Q4 will be more impacted relative to what we thought back in May. And it appears it will take a bit longer to get back to pre-COVID levels. That's what takes the top off of our revenue and adjusted EBITDA guidance ranges.

Importantly, and as you'll hear in Joe's remarks, in each of our businesses, we believe we can continue to hold or grow share in segments that are currently depressed by COVID, so that when the COVID impacts subside, our franchises are positioned to return to their pre COVID levels and then to grow from there.

I mentioned in the discussion of Q2 results, our gross margin was down due to COVID driven impacts on manufacturing variances. That situation is expected to persist through the balance of the year and we've adjusted our guidance for gross margin, down from roughly 73% to roughly 72%.

A quick word about operating expenses. We've taken steps to reduce operating expenses to both protect operating profit and to preserve cash as we work our way through this situation.

At this point, our SG&A guidance is some $300 million less than what we were planning back in February.

Turn to slide 15, the guidance bridge. Just two things to point out in this slide. Currency moved in our favor since May, 100 million at revenue and about $30 million at adjusted EBITDA. Second, and for the avoidance of doubt, the roughly $100 million reduction in SG&A in the guidance bridge relative to our May guidance – that's relative to our May guidance. And as I mentioned, in total, from the beginning of the year, we've reduced our full year expected SG&A by some $300 million.

One last thing. I'm really excited to talk about our intention to split into two businesses. Yeah, we'll be busy laying the groundwork to facilitate the spin of B&L and I look forward to our discussions regarding the exciting prospects for both companies. Lots more details on that to follow.

That's it for me. Back to you, Joe.

Joseph Papa

Thank you, Paul. In a world of COVID uncertainty, our overall Bausch Health response is straightforward, focus on key brands and new product launches, grow market share, and manage OpEx to optimize EBITDA.

Turning to Bausch + Lomb's Global Vision Care on slide 17. Once again, a lot of data with a few key points. The pandemic reduced consumption of contact lenses on a worldwide basis. But new fits are starting to come back after significant declines due to office closures in the second quarter.

The chart in the bottom left shows average weekly change in field consumption in the United States. Our B&L recovery is in process.

To be clear, the recovery in Europe and Asia is proceeding more slowly. Even during this period of disruption, we were able to grow market share for some lenses. On the right, we showed the gains in the Biotrue one day lens family, up 100 basis points versus last year in the daily disposable category. And in the frequent replacement category, the ULTRA family grew market share by 130 basis points.

And finally, despite COVID, we're obtaining product approval and launching great new products to meet consumer needs, such as ULTRA monthly lenses in China, ULTRA one day lenses in Canada and Hong Kong and INFUSE daily SiHy lenses in the United States.

On to slide 18, many asked about INFUSE. INFUSE is the only silicone hydrogel daily disposable lens with a next generation INFUSE ProBalance technology that helps maintain ocular homeostasis and reduce the symptoms of contact lens induced dryness. For example, INFUSE lens maintained 96% of moisture for a full 16 hours, which is more than the leading SiHy daily disposables available today, and has the lowest modulus which is associated with a comfortable lens experience.

Turning now to Global Consumer on slide 19, a few highlights. Global Consumer behavior was impacted by the response to COVID-19. The chart on the left shows the percent change in total US Bausch + Lomb consumption year-to-date on a year-over-year basis before, during and right now as we emerge from COVID stay at home orders.

The second key development, we are accelerating our e-commerce events and seeing results. On the top right, e-commerce grew year-over-year by 80% over the last 12 months, up 99% over the last six months, up 112% in the last three months.

Despite COVID, our eye vitamins, Ocuvite and PreserVision, grew 3% organically year-to-date compared to the prior-year period. And compared to the second quarter of 2019, LUMIFY revenues grew by 36%.

And finally, the chart on the bottom right shows the Bausch + Lomb gained US market share in key segments – redness relievers, multi-purpose solutions and eye vitamins compared to a year ago.

Turning now to Global Surgical on slide 20. A worldwide postponement in elective surgical procedures persisted during the first part of the second quarter, but we started to see signs of recovery in the second half of the second quarter.

On the left, we show the recovery of international surgery where revenue has about 70% of the pre-COVID levels. And as a comparison, in the US, we began to see a substantial recovery during the latter half of April/May, and the number of Stellaris Elite procedures has reached approximately 95% of pre-pandemic levels.

Second, COVID has clearly impacted the surgical market, but we are maintaining or growing market share. US B&L cataract procedures in the second quarter of 2020 slightly outperformed the COVID impact market, declining 51% versus the prior-year period versus an overall market decline of 53%. Similarly, retina procedures in the US declined 32% in the second quarter of 2020 versus 2019 compared to overall market decline of approximately 35%.

The enVista Toric IOL, which was launched in the US just prior to the lockdown, is also gaining market share. This is helping B&L increase IOL market share in the US, which has improved to 11.1% versus 10.4% share a year ago or plus 70 basis points.

Turning now to Global Ophtho Rx on slide 21. As expected, the COVID related decline in surgeries also impacted global Ophtho Rx. TRxs began to recover in mid-April and we continue to drive momentum in our promoted brands, but we clearly lag 2019 performance.

On a year-over-year basis, VYZULTA total prescription volume was up 42% in the second quarter compared to the market, which was down 3%.

LOTEMAX SM also had a standout quarter. TRxs grew by 125% compared to the prior quarter and market share increased by 198 basis points.

Turning now to Salix on slide number 22. Once again, COVID is clearly impacting the market. We are maintaining or growing our market share. Overall, XIFAXAN average weekly TRxs grew by 5% in quarter one and declined on average by 7% from the end of March through July. Recovery has begun though in late May and still remains in process.

However, XIFAXAN TRx volume was down 8.8% in the second quarter of 2020 versus 2019 compared to an overall market decline of 9.2% during the same period.

We've also provided year-over-year data for TRULANCE prescription data, averaging weekly TRx growth of 46% during the first quarter. TRULANCE weekly TRxs grew to 52% during the second quarter. TRULANCE TRx volume was up 50% in the second quarter of 2020 versus 2019 compared to an overall market growth of approximately 6%.

Finally, RELISTOR prescription volume grew 6% in the second quarter of 2020 versus 2019 compared to an overall market decline of minus 5% and RELISTOR oral prescriptions grew by 12% in the second quarter.

Move now to Ortho Dermatologics on slide number 23. Medical derm saw declines in prescription during the second quarter due to COVID-related office closures around the United States. The shift toward telemedicine favors keeping patients on existing medications.

On the left, we show TRxs for US promoted brands. The average weekly change of 23% in the pre-COVID period was driven by DUOBRII launch, JUBLIA and acne portfolio. COVID hit DUOBRII, BRYHALI and the acne portfolio starting in March. JUBLIA showed growth and all brands appear to be covering since approximately early May.

Despite COVID headwinds, Thermage revenue grew by 12% and recovery is still in progress.

Finally, to wrap up on slide number 24, our business were impacted by COVID year-to-date today and we expect uncertainty around the pandemic to persist through the recovery period.

However, we are focusing on positioning our businesses for growth in 2021 and beyond, driven by mega trends such as globalization in the world's aging populations that should increase demand for our products.

Second, we're investing in key promoted brands where we have demonstrated that we can gain market share even under challenging conditions.

Third, we're improving operational efficiency through what we've heard internally as Project CORE to optimize our cost structure and enable us to generate strong cash flow.

Finally, we recognize that e-commerce will continue to be an important sales channel for our customers who prefer the ease and convenience of online shopping, and we are strengthening our e-commerce capabilities.

In conclusion, I believe our team has done a great job resolving the legacy issues that company was facing and we are now actively moving towards the next step of our transformation.

We have a plan to manage COVID-related uncertainties and we believe that both the spin-off of Bausch and Lomb will provide even more opportunities for both businesses.

With that, operator, let's open up the line for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. Our first question comes from Chris Schott with J.P. Morgan.

Christopher Schott

Just a couple on the separation. So, I know the potential of the separation is something we've discussed in the past, but elaborate a little bit more in terms of why now in terms of the decision? What got you comfortable to kind of move forward with this at this point?

My second question on this is I know the numbers aren't finalized. But how do you think about the magnitude of dyssynergies from a separation? Is this something that's going to be meaningful? When we look at the business, it seems like these two operate fairly independently and would suggest maybe there's not huge dyssynergies, but just any color there would be helpful.

And then maybe just one final really quick one on this is, can you remind us – as we're looking at your corporate expenses, what percent of those go to B&L and what percent are associated with the pharma business? Thanks so much.

Joseph Papa

I'll take the first one, the why now, and maybe you can help on the dyssynergies and percentage of B&L on the corporate expense side. So, Chris, great questions.

Why now? So, we've been working at this for four years. What we felt we had to do is we had to get ourselves into a position where we can divest the non-core assets, about $4 billion, pay down a lot of debt, about $8 billion plus of pay down, manage the portfolio that we had – we knew we were going to lose exclusivity on about a $1.4 billion portfolio. We had to get through all these legacy issues that were part of what we faced as a company, the legal issues that Christina and her team solved, the Salix litigation, the Allergan litigation, the class action lawsuit both in the United States and Canada, the SEC Philidor accounting. The great news is those are now behind us.

We also, though, knew that we had to get both businesses in a position for growth. And what we did is we invested behind R&D for new products, invested in CapEx for these new launches like ULTRA Toric, we invested for daily SiHy capability. So, a lot of activity had to happen before we could get ourselves into position to do that.

We now feel that we are in that position to do that. And we reflected on our portfolio. We said that we find ourselves with a portfolio of products that are somewhat an artifact of history that were put together through a number of acquisitions. And we said, what's the best way to get these portfolio of businesses to a place where we could grow these businesses organically over the long term? And we felt that by putting them and separating them, so each of them can make those types of judgments and decisions and focus with the right long-term decision.

And that's really the simplicity of the timing question. There's a lot of work to do to be clear, and we'll keep the market updated. But we felt now is the right time to start. And the activities have been done by the Board and the executive leadership team. But as you start to pull apart and separate two businesses, it takes a lot more than 20 people to do that. You really start – need to engage the organization. And once you start to do that, you've got to be forthcoming. You've got to share that information, be very transparent with investors, which is what we've always tried to do.

So, that was the logic of why now, why announce it now, realizing there's still a lot of work to go forward in the future.

Paul, maybe you can take the second part of the question about the dyssynergies and the B&L as a percent corporate expense side.

Paul Herendeen

Chris, obviously, very good questions. First, we're not providing a spot estimate of what the dyssynergies would be in the separation of the companies. And while you point out that they do look like they operate relatively autonomously, in reality, you've got to take a look at what we're defining as the eye care business for the future. It's our Global Vision Care, Global Consumer, Global Surgical and Global Ophtho.

Currently, those businesses share a fair amount of infrastructure with our international pharma business. And so, there will clearly be some dyssynergies associated with having to build up infrastructure to support those businesses when they are separated. Of course, there are also the expenses associated with standing up all of the enabling functions that will be necessary in order for the eye health business to stand on its own.

So, can't give you a number today. But I would submit to you that if you were to look at levels of G&A and R&D for similar sorts of businesses, you can come up with a pretty good estimate of what fully loaded G&A and R&D particularly would be because those are the ones where you're going to see the dyssynergies.

With respect to corporate expenses, similarly, you'll get to the same answer. If you go back – if you use 2019 as a guide, I believe there was circa $450 million of corporate expenses, both R&D and G&A that were not allocated. What I would suggest is that you can, in a relatively straightforward way, go back to that 2019 information and make your assumptions about how that R&D might have flopped on to what we're defining as the eye health business to go forward.

Again, to be crystal clear, it's not the segment. In fact, there's actually some additional products that would be moved from other businesses into that business. So, it's not as straightforward a process as you might imagine. As we start to refine these things, we will certainly be helping you to think about what the fully loaded P&Ls would look like for the eye health business going forward.

Operator

Our next question is from Gregg Gilbert with SunTrust Charities. Please go ahead.

Gregg Gilbert

Good to see you taking some action here. I was hoping you could walk us through the mechanics of how and when you can affect the separation in as much detail as you're willing to provide today, at least to level set expectations of how soon or not soon this could actually happen.

And then, within RemainCo, if I could call it that, does international pharma fit with the remaining pieces? I know each piece is a little bit different, but that one is distinctively international compared to the other pieces. Thank you.

Joseph Papa

The question on the timing aspect, we are working through that timeline. But the best way I can answer it right now without giving any specifics relative to exactly our timeline, I'd say is – we looked at all a lot of precedent company transactions, and usually it's somewhere in that year and a half timeframe. It usually takes somewhere around a year-and-a-half. It's going to take some time. There's a number of issues to work through to, obviously, ensure that it's a tax efficient structure, to ensure that the organizational design is correct. So, we've outlined a lot of the steps that have to go into this in terms of a timeline. I don't want to put a specific timeline right now as we go through it. But I do think that the best way for us to answer the question right now is the – looking at some of the precedent transactions.

On the question of RemainCo and international prescription, does it fit with other pieces? One of the things that we do think is an opportunity is that we're going to look at what we're doing with international pharma because this is very diverse, but it does include products in dermatology, neurology, in gastroenterology. We've looked at that portfolio. So, we do think there's opportunities to, for example, globalize our Salix businesses.

As you know, when we acquired TRULANCE and dolcanatide, we did also acquire global rights to those products. So, there are global opportunities for products like our gastroenterology business.

I think you know we're developing next generation rifaximin opportunities. Some of those opportunities we also believe will be international opportunities. So, I do think there's an international opportunity. I won't dismiss that there are some parts of the international pharma that are going to be different than our current Salix gastroenterology business. Our med derm business as well.

So, we'll work our way through that, try to make the right decisions to once again focus on driving long-term shareholder value for our shareholders.

Operator

Our next question comes from Umer Raffat with Evercore.

Umer Raffat

I'll primarily focus on the B&L separation as well. But before I do, can I just clarify for everyone? Paul, I think on slide four, it says pro forma B&L newco is $3.7 billion. I believe that was supposed to be around $4.9 billion. I just wanted to confirm that.

But my question is, so thinking of this B&L newco as a $5 billion business, the one thing that does catch our eye is, it was supposed to have $1.2 billion in a perhaps non-ophtho business, the international Rx. And I noticed you guys are adding an additional $140 million or so on top of that after some changes today.

My question is, is it fair to assume that the international segment works at something north of 60% operating margin. I'm just trying to break out the operating profit drivers of this B&L business, just to understand how we should think about valuing it because it's not inconceivable market when I think of those as separate or not. And maybe you could speak to that. Thank you very much.

Joseph Papa

Paul, you want to take that question?

Paul Herendeen

Yeah, I do. And Umer, please stay in line here because I think the – on slide four, the business to be spun out is the $3.7 billion. I did not understand your question regarding the first part of your question. So, I apologize for that.

But let me let me address first what else is in there? There are parts of – for example, if you were going to stand up your eye health business and you put together a global supply chain, within that global supply chain, there are assets that are produced there that ought to be then sold by that eye health business. And the easiest example to think about that is we have a fairly meaningful portfolio of generic products to ophthalmic Rx products. So, revenue that previously would have mapped to diversified and shown up in the generics line, which are ophthalmic products which should map to the eye health business. There are a few other minor items that result in kind of the addition to the eye health and the subtraction from BHC. But I would say that is the primary difference between those two things.

Umer Raffat

And the margin, Paul, from the international?

Paul Herendeen

On the margin, I'm going to point back to something I said. It was probably 18 months ago or so. I'd have to go back to see exactly what call it was on. But when people were trying to tease out – like, thinking about international pharma as it was part of the B&L international segment, people often asked, well, does it distort the segment, how should we think about it, and what I said was, if you use the EBITA contribution margin of the aggregate B&L international segment with international pharma in there, that blended margin was approximately the same as the margin that you would have seen if you could tease out international pharma. I think that gives you what you need. You see what I'm saying?

Joseph Papa

Thank you, Paul, for that. We'll obviously be providing more information as we make this spinoff happen. But we're excited about what this means in terms of really unlocking what we think is a great iconic brand with Bausch + Lomb.

Operator

Our next questioner is Akash Tewari with Wolfe Research.

Umer Raffat

And kind of similar to what people have asked before. When you've talked about spinning up eye care, it always seemed like the timing wasn't right, given the current debt structure. What changed internally with your thinking? And was there any external shareholder pressure? And would you consider having the spinoff occur two to three years down the line and potentially also doing an equity linked transaction to maybe lower the debt of the spinoff? Thanks.

Joseph Papa

I think that I back to the why now. I think there's a lot of things that we felt we need to clear, currently resolved, as we were thinking about direction of our company. As I mentioned, we felt that we had a number of issues to resolve before we could make this move. We've now resolved those issues, we've resolved those legacy legal issues. And we feel now's the time to start. Do I absolutely understand it's going to take some time? As I said before, looking at precedent transactions, I think it's somewhere in that year-and-a-half timeframe. But let's start now. We'll continue to work through some of those other questions like our capital structure to ensure that we launch this with the best results for both businesses. As you know, we're going to continue to work very diligently to pay down debt. And that's an important part of it as we grow EBITDA with our total businesses.

So, except that there's still some things we're working our way through – but as you can imagine, as you start to go down this path, in order to unlock this value, we needed to open this up to a lot more people in our company. We wanted to maintain, obviously, transparency with the market. Therefore, our view was – we'll announce it now, we'll take the appropriate steps, we'll work through all these questions, and, obviously, go forward. But this is something that's been ongoing for, as I mentioned, about 12 months.

Our board and the management team have been working on this question as to how best to unlock value for our shareholders. And we feel now is the time to announce it. We still have some additional work to do to be clear, but we're looking forward to unlocking the value of the B&L franchise for the future.

Paul Herendeen

I'd actually like to follow on because I think, Akash, you framed it – it's a terrific framing kind of question. I think the way we approach this is that, to preserve the maximum value for BHC's shareholders through the separation process, it requires that we consider balance, solve for a number of variables, including those that are based on our current leverage.

And to be clear, our goal is that both B&L and BHC will emerge from the spin process with appropriate capital structures that will allow each of them the financial strength and flexibility to drive future value. And an important consideration in executing that is time. The passage of time helps as we continue to generate cash and delever.

I want to reinforce something that Joe touched on is, why now, it's like it was very important that we solve and resolve many, many legacy issues prior to being able to kind of announce and move forward with this. And not the least among them was to resolve those – the legacy liabilities that our colleague Christina Ackermann, our General Counsel, and her team have done a fantastic job of settling those things out, so that we can put those in the rearview because that enables us to think about separating into the two companies where both will be well positioned without overhangs in order to be able to do to drive forward from there.

The other thing I do want to stress as well is with respect to the timing, say the same things as Joe, but I think it's important. Us announcing this today is entirely consistent with the way Joe and I have approached financial reporting from the time we got here, which was to be as transparent as possible, so that you, external parties, can follow along and decide whether we are doing the right things.

This was equally important for us to announce today because in order for us to proceed with this process, and to have it be successful, we will need the full support of our soon-to-be spun out B&L colleagues, as well as all of our BHC colleagues to get this done. Prior to this announcement, there was a very small group of folks within our company that were focused on this activity, and we took it as far as we could without disrupting our businesses, meaning making this announcement.

Today is the day that we say this is what we're going to do. We strongly believe it's the right thing. It's the right thing for our shareholders. It's the right thing for each of those two companies, so that each can be positioned to maximize the value of their competitive positions. And so, we're really excited about this.

I think everybody will wish that we had more information, specific information, but work with us here. We will be providing it in the same transparent manner as we worked through this process. And when we get to the end, I think what you're going to see is two very attractive companies standing on their own with great prospects.

Operator

Our next question comes from David Amsellem with Piper Sandler.

David Amsellem

So, I know that you haven't provided specifics on the capital structure. But I do think that at least some qualitative commentary on the capital structure would be helpful as we navigate this period. I guess my question here is, given that the eye care business has always been perceived as durable over a long-term period, doesn't have the major exposures to losses of exclusivity, is it fair to say that that's going to be a business – that business is going to shoulder more of the debt than the remaining pharmaceutical business, which does have some durability question marks, albeit nothing as dire as what we saw the last few years?

I guess, just from a sort of whitespace perspective, can you just help us in terms of how you're thinking about it? And again, I know these are early days, but I think it would be helpful to at least address it in some way. Thanks.

Joseph Papa

I'll start, but, Paul, please feel free to also add your comments. I think the important point that we're thinking about this is, let's figure out how best to unlock these businesses that came together as an artifact of history. Do they need to be together? No, we do not believe that to be the case. Let's separate them out. Let's put the appropriate focus and investment behind each business and ensure that we can make each of these business successful.

Do we absolutely have to work our way through that capital structure question that Paul mentioned on a previous question? The answer is absolutely yes. But our view is that, over the long term, this is the right thing to do for our investors. We think the B&L business will compare very favorably with companies – great companies like Alcon, like Cooper. We think those comparisons will be important as people measure the future success of this business.

So, that was the overriding principle. We didn't feel that these businesses, as we reflected on it, needed to be together. Let's separate them. Let's let both businesses go out and be successful on their own. And that's our approach. Do we absolutely recognize capital structure is an important question. The answer, yes. We're going to deal with that in a very efficient manner.

But the only thing I will point out, David – I know you follow very closely – is that we do feel very good about the progress we've also made on the loss of exclusivity products. We've worked our way through that. The majority of those are behind us. And now, we feel we've done a very good job in managing the XIFAXAN challenges to the patent. You probably recall that we've settled both with Teva, the world's largest generic company and arguably the third largest company, and Sandoz in terms of a 2028 date.

So, we do think we've got the longevity of XIFAXAN that will allow us to manage our way through this and to ensure that once again Bausch healthcare business with a focus on international pharma, gastroenterology, aesthetics, dermatology, neurology will also be very successful.

So, I probably don't want to make any more specific comments about how we'll allocate debt, et cetera, but I do think we will manage that in a way that is best for both businesses to optimize?

Paul, I don't know if you want to add as well.

Paul Herendeen

I thought that was great. But, yeah, I'd say that the key thing, David is that each of those two businesses needs an appropriate capital structure. I don't think – we were certainly not going to guide to what does the cap structure of the spinco look like today and what does it look like. There are too many variables sitting here on August 6 to come into play. And I think the time is one of is those variables. There are a number of ways that we can proceed with this that can accelerate the time. While I'm on the topic of time, I'd say that the mechanical things associated with gearing up and laying the foundation to separate the two companies is something that we can and will go very fast with.

The bigger challenge, as I said a moment ago, in trying to answer Akash was – it's to preserve the maximum value for BHC shareholders through this process. You've got to consider and balance a lot of things and time is one of them.

Operator

Our next question comes from David Risinger with Morgan Stanley.

David Risinger

So, Paul, I was just hoping to ask a question on debt covenants. So, what do the debt covenants currently indicate in terms of maximum value that can be exited? I had read an SEC document that had indicated – I guess it was the 10-Q from March that the company had approximately $12.3 billion of basket buildup capacity. So, I'm hoping that you can put that into context. And just provide some more color on how you plan to overcome the debt covenant issues. Thank you.

Paul Herendeen

This is a question we're surely going to get from many of our folks on the leverage finance side. Suffice it to say that we're announcing that we're going forward with this because there is a path under all of our existing agreements in order to be able us to conclude this transaction. Not going to get into the specifics of calculation of baskets and what goes where, but, clearly, was a consideration in thinking about the prospective separation into an eye health company and to BHC – into B&L and BHC.

We've done the math. We've done our homework. And it is absolutely something that we can do. And I'll just leave it at that.

Operator

Our next question comes from Ken Cacciatore with Cowen and company.

Ken Cacciatore

Just my one question is, it seems it would be a lot easier to just sell this legacy business. So, just wondering, is this process that you're undergoing to basket and separate and tease out operationally, does it make it easier to sell? Is that part of the optionality ahead of – to the end stage of a spin? And can you just give us any color if that was pursued and just simply you weren't able to do, and so this is the right appropriate next step? Thank you.

Joseph Papa

The best way I can answer that question, I think, is the board and management looked at all the alternatives. And as we evaluate all the alternatives, we believe that this approach is the best way to move forward. It is within our control. It is something that we can manage – we can ensure it happens. Obviously, there are things that we'll need to do and there's a lot of work that we need to do, but this is totally within the control of the team that is moving this forward.

As I said earlier in the call, we knew that – as we wanted to be very transparent with the market, we needed to involve more people in our company to get this done. But that was going to mean that we had concerns about leaking information or anything along those lines. So, we said let's be transparent, let's announce it, recognized that it's going to take us a year-and-a-half or thereabouts in terms of basing on precedent. We haven't given a specific timing for ourselves, but precedent tells us about a year-and-a-half. Let's get that all up and running. This is totally within the control of management and, therefore, we believe this will be the best way to proceed.

Obviously, as we arrived, we've always said we will consider all alternatives to drive shareholder value for this company. We believe this is the correct way as we sit here today, totally within management control.

If other things occur, we're always going to make sure we do the right thing for our shareholders. So, to be clear.

Thank you, everyone, for joining us today. Paul, did you want to make any other comments on that?

Paul Herendeen

I have like 30 seconds. I think you've covered it, but I'd like to double cover it, if I could. Ken, as it has been since we got here, all alternatives are on the table at all times. Clearly, any alternative is on the table. And importantly, taking this step does not foreclose any of the options that might present themselves that could – and could potentially accelerate our ability to deliver greater value to our shareholders. So, this is it. You used the word optionality. This is something that provides additional options to us as we look forward. We're really excited about this. As I said earlier, this is the right thing to do. And we're committed.

Joseph Papa

Thank you, Paul, for those comments. Let me just try to conclude. As I mentioned earlier in prepared remarks, we think it's a very exciting day. It's an opportunity to take Bausch health care to the next step by separating into two public, independent companies. We are very excited about what that means in terms of unlocking the value in the Bausch and iconic brands and look forward to sharing with you more information as we move forward.

But thank you, everybody, for joining us and we look forward to answering additional questions that you may have in the future. Have a great day, everyone.

Operator

And that does conclude today's conference call. We appreciate your attendance. You may disconnect your lines at this time and have a great day.

EXHIBIT 2

Seeking Alpha α

Transcripts Healthcare

Bausch Health Companies, Inc. (BHC) CEO Joseph Papa on Morgan Stanley 19th Annual Global Healthcare Conference (Transcript)

Sep. 13, 2021 5:27 PM ET | **Bausch Health Companies Inc. (BHC)**

Play Earnings Call

Bausch Health Companies, Inc. (NYSE:BHC) Morgan Stanley 19th Annual Global Healthcare Conference Call September 13, 2021 11:00 AM ET

Company Participants

Joseph Papa - Chairman & Chief Executive Officer

Osama Eldessouky - Chief Financial Officer

Conference Call Participants

Arek Kurkciyan - Morgan Stanley

Arek Kurkciyan

Good morning, everyone. My name is Arek Kurkciyan and I am with Morgan Stanley's Healthcare Investment Banking Group. Thanks very much for joining us today. This morning we have Bausch Health Companies and Joe Papa, who is the CEO of Bausch Health, as well as Sam Eldessouky, CFO. I'll start off by stating that for important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

And Joe, thank you very much for joining us here this morning.

Joseph Papa

Thank you, Arek. Pleasure to be here with you today.

Arek Kurkciyan

Joe, perhaps we can start off by asking you if you can provide any updates on some of the recent strategic initiatives that you've disclosed? And then we could talk a little bit more about some current trends in your businesses.

Joseph Papa

Sure. If you go back to our August earnings call, we disclosed at that time that we announced that we were moved forward with an IPO of the Solta business, in addition to the previously disclosed IPO, the B&L business. And let me probably just provide a little bit of an update on that today. In fact, we announced that the company has submitted confidentially draft registration statements on Form S-1 with the Securities and Exchange Commission, the SEC, related to each of those, both the B&L separation which we had previously done and now this Solta IPO which is also we've done. The number of common shares to be offered the price range and all those type of things have not yet been determined. We can't make any specific statements and anything beyond that portion of what we previously said. But importantly, we continue to -- the company continues to expect the Solta IPO and the B&L separation to be completed on the previously communicated time lines that we talked about going back in August. Obviously, it will be subject to market and other conditions. But we're excited about what it means for the future for these three different companies at this point.

Arek Kurkciyan

Great. Joe, perhaps we can move to some of the current trends in your various business lines. Let's begin with a discussion on your Rx segment. Could you discuss the current trends with respect to XIFAXAN, the impact of volumes from any recovery that you're seeing in -- from COVID and what you're seeing from an eventual reopening of some of the long-term care facilities that drive some of the volume?

Joseph Papa

Sure. Obviously, XIFAXAN being our largest product, it's an important question. So happy to address it. I think the best way to compare the data on XIFAXAN's, look at the last 10 weeks versus the same 10 weeks a year ago and it gives you some sense of what's happening with XIFAXAN. So let me share with you some of that data. Overall, XIFAXAN last 10 weeks versus a year ago is up 7% which obviously we think is trending in the right direction. And importantly, it's up more than the market. The market is up about 4%. So you can see that not only is XIFAXAN in the right direction, from a trend line point of view but we are also gaining share. Now within that, there's a couple of components. About 30% of the market is IBS-D or 30% of the XIFAXAN business, I'll say it that way, is IBS-D and the IBS-D is up about 19% versus the same 10 weeks a year ago. So we're seeing really strong returns on IBS-D which obviously we think is very promising. The long-term care business which is about 20% of the business for us. That one is up about 5%. So it is starting to grow but it's still not growing as quickly as what we saw with the rest of the business.

So -- and we think that that's not a XIFAXAN specific. We think that is specific to the nursing home patient population as that population gets -- there's less people in nursing homes as the census goes up in the nursing homes. We expect the XIFAXAN business to follow very similar to that. So we are seeing growth albeit at a slower rate than the overall XIFAXAN business but we do see the continued growth there. Obviously, IBS-D is leading the XIFAXAN growth, as I said, with growth somewhere in the plus 19% for the last 10 weeks versus the same period a year ago.

Arek Kurkciyan

Great. And staying on GI for a minute, could you discuss the recently announced Glumetza settlement and the potential impact on your delevering profile? And then maybe staying on that, any other important litigation updates?

Joseph Papa

Sure. So obviously, that -- one of the things that we've been working on, I've been here now over five years, we've been working on resolving some of these legacy legal issues. All told, I'll get to Glumetza in a second but all told, we've resolved over the past five years, approximately about $2.5 billion of legacy legal settlements; we think that, that's important. We think it's important because it helps us to get this behind us as we now shift to new chapters of the book, if I can call it that, a chapter on Solta, a chapter on the Bausch & Lomb business and clearly, the remaining Bausch Pharma business. So we think it was important to get these resolved and get them done again, behind us, number one. Number two, specifically to Glumetza, this dealt with some issues that occurred in the 2012 and 2013 time frame. Importantly, it was even before the Valeant company acquired Salix, it was when Santarus had the Glumetza asset. But nonetheless, we felt that it was a sizable payment but we thought the right thing to do is get this behind us so that we can go forward in the -- once again, with a Solta business, a Bausch & Lomb business and our remaining Bausch Pharma business and clear up as many of these legacy issues as possible. This is one that we're happy to get it behind us. This -- we got the class portion. This -- that $300 million specifically was for the class portion.

We will get this completely behind us but we wanted to make sure that all these items were appropriately dealt with to make sure that we can move forward. But as I stated, we wanted to get all these things done so that as we thought about the future go-forward state of the Bausch & Lomb business, the Solta business and the remaining Bausch Pharma business, we get these as cleared up as possible. Now, there still are some legacy legal issues that are -- we've outlined in our K and I refer to all of our investors to look at that. But we think far and away, this is getting these class actions behind us was an important step towards moving forward with three independent businesses.

Arek Kurkciyan

Understood. Let's turn over to your B&L segment. Perhaps we can maybe start off by having you provide a brief overview on how you look at the various parts of that business and then we can go into some specifics.

Joseph Papa

Sure. Well, first and foremost, on the B&L side, what we're most pleased about is that we think we'll have one of the most integrated eye health businesses as we think about it in terms of why do I say that? Integrated in the sense that we have a global consumer business. We have a global surgical business. We have a global vision correction business and a global prescription business. So those natures of our business allow to really have a very significant footprint as we think about having an integrated eye health company. But let me maybe step back a little bit though and say, how are the businesses doing? We think that the consumer product business had a really strong second quarter. It contributed about 36% of our revenue. And we saw good organic growth in everything from Ocuvite, PreserVision, LUMIFY. Overall, global consumer showed 9% organic revenue growth versus the second quarter of 2020, once again, driven by Ocuvite, PreserVision and LUMIFY. Ocuvite and PreserVision was up 13% and -- so versus the second quarter of 2020. So very nice growth in our eye vitamin business. and LUMIFY reported $29 million of revenue in the second quarter, a growth of 93% versus second quarter '20, obviously impacted by COVID.

But importantly, what we're really pleased about is as we think LUMIFY, it's growing and it's right now tracking at about $100 million -- over $100 million business which from the time we launch would be over $100 million. And in this brief amount of time, we think is really exciting and has a lot to say about not only the LUMIFY business today but where the LUMIFY business can go tomorrow as we think about new line extension opportunities with LUMIFY that will help more patients; so exciting part of the business for us to talk about LUMIFY. The only thing I would say about our overall business during the quarter, on the consumer side, we did see a recall of a product and I probably should address that. That was a recall of our multipart solution. And this is because we had a vendor in Italy that serviced or provided caps and bottles for our business that we run out of Milan. And because of that we thought it would be best to proactively recall the product and take the product back and allowed us to move forward with a -- once again, solve this. It was a big product for us.

It was about a total $50 million recall, about $30 million of it was reflected in the second quarter. But that we thought was an important thing to get it behind us once again as we thought about the consumer business going forward, we can go forward from there. So that really reflects, I think, the comments on the consumer side. Anything else you want me to talk about there or otherwise, I'm happy to go into the rest of the business.

Arek Kurkciyan

Well, it'd be great to just hang on Ocuvite and PreserVision and LUMIFY for a second. I mean, you're talking about 13% quarter-over-quarter -- year-over-year growth. What's driving some of that growth? Is it share gains? How do you describe what is driving some of that growth?

Joseph Papa

Yes. Clearly -- we believe, clearly, we are showing those gains in market share as we grow the overall consumer business and also the -- obviously, the LUMIFY business being up 93%. All those, we are -- we believe we're picking up additional market share versus what's happening with the overall market which we think is -- we just have good products we're out there. We're -- the company is executing well. I remind you that prior to COVID, we showed approximately 13 consecutive quarters of organic growth for the overall B&L business. So we're continuing to pick up those incremental opportunities that we see and we think that's what's going to continue to drive the business for the long term. Probably the other thing I'll talk about is we've had a very successful e-commerce program. E-commerce now accounts for about 10% of the Bausch & Lomb U.S. consumer business. In 2017, it was about 2%. So, you can see that we've dramatically improved our overall capabilities in the area of how we compete. But just to give you some sense of eye vitamin share; our eye vitamin share total was 77.9% in the second quarter of 2021 versus the second quarter of 2020, it was about 75.6%. So, you can see we picked up more than 200 basis points of share just in the past year.

So, I think it's really been that success we've had in picking up share as well as things that we've been able to do in terms of Joe Gordon and his team on the consumer side have just done a magnificent job in putting together e-commerce programs that allow us to pick up this year.

Arek Kurkciyan

That's great. It's good to understand the e-commerce part of your strategy. Perhaps we could turn a little bit to Vision Care, maybe provide a brief overview there and we can spend some time there.

Joseph Papa

Sure. Vision Care, in terms of -- we've had a very strong recovery in the second quarter. We showed 56% organic revenue change versus the second quarter of 2020 obviously driven by the ramp-up in the United States but also rebound in international. Obviously, the one question we get often was how did your business do for the INFUSE around the world? In Japan, what you referred to as Ultra ONE Day or AQUALOX around the world. In AQUALOX, in Japan, we saw 114% revenue growth in the second quarter. So, just another example of a very strong business showing good growth. U.S. business for vision correction was up 103% versus the second quarter of 2020 mostly driven by the launch of the INFUSE and continued ramp-up of our stigmatism line extensions for Biotrue and the Bausch & Lomb ULTRA. So very strong business across the board. Very excited to say that now that we've got our INFUSE product approved, I think we're in about six countries but we expect many more in the very near future. We think that's going to obviously be good for us as we think about the future of the Bausch & Lomb business.

Arek Kurkciyan

And is there any insight you can provide on your launch strategy as it relates to INFUSE given that it is an important event in the U.S.?

Joseph Papa

Sure. So the primary comment I'd offer on the INFUSE business is that what we have found is that patients that are currently -- consumers that are currently using the SiHy daily lenses still have a problem. At the end of the day, with dryness, they're compromising on that drying issue because they want to wear their contact lenses for 16 hours. What we believe we have a very significant opportunity is to help these patients to a product that helps them with the comfort of the SiHy daily. They're great lenses but the competitors have great lenses but we think our ability to put as more protecting electrolytes [ph] into our lenses helps tremendously when it comes to the ability for patients to be able to wear their lens all day long. And we've got some exciting data that -- some of that data that we're collecting right now. We look forward to being able to share even more of it going forward. But basically helping those patients wear contact lenses, SiHy daily lenses all day long and provide comfort is something that we're working on very diligently because we think that's an important part of success and how we can differentiate ourselves from existing products out in the marketplace.

Arek Kurkciyan

And you spent a little bit of time talking about this before but could you highlight the importance or your view of the importance on Asia Pac as a driver of this part of your Bausch & Lomb business?

Joseph Papa

Yes. Asia Pac is a very important part of our business. We've got significant market share in many of the Asia Pac countries. We are the market leader, like, for example, in China, for India, I think we're number two in Japan, number one in Thailand. So there's a number of places where in Asia Pac that it is very important to us. We did show about 38% organic revenue change versus the second quarter of 2020. And as I mentioned, really strong demand for us in Japan for the AQUALOX up 114% versus the second quarter. So all of those, I think, are reasons why we look at the Asian market and are optimistic about the future, what it means for our overall Bausch & Lomb business.

Arek Kurkciyan

Great. I appreciate that. And then within surgical, perhaps you can discuss at least two points. One is the impact that you've seen from your recent ClearVisc approval. And then importantly, any COVID-related impact on procedures that you've seen more generally within your surgical business.

Joseph Papa

Sure. Well, in general, let me talk about ClearVisc because it's part of a strategy for ClearVisc. ClearVisc's approval we launched in June, is a marketplace, a viscoelastic that we were not playing in. It's over $120 million opportunity. And obviously, will help protect the cornea during surgical procedures. But what was happening is that we did not have a product that played in this space. We added it because we think that's an important part of our integrated platform for eye health. And, we -- if we don't have a product that plays in the space we lose out on some of the bundling opportunity. Now because we have it, we can be a part of the integrated bundles that are out there. Importantly, it's more than just the revenue of the product. It's the ability for us to play in a larger space by having an integrated platform. So that's the concept of why it was important, why we launched in June. But beyond that, I think it plays out to the overall integrated platform that we're developing for Bausch & Lomb, where we will have one of the most integrated platforms.

We'll have the prescription business. We'll have the surgical. We'll have the vision correction and we'll have a global consumer. By having that complete integrated platform which I would submit is one of the most integrated platform. We think this example of ClearVisc is just one more example of us having a full platform opportunity to go out and help meet the needs of the ophthalmologists and optometrists that are treating patients with eye health issues. So -- that's a great example for us moving forward and how we're thinking about it. As it would relate to COVID-related impact on procedures, there was clear at the beginning of 2021, there was a significant gap that -- of procedures that did not occur in 2020 because of COVID. We refer to it as a tailwind for us. And we think that tailwind is still there. But it will get hit by spotty problems or issues of elective procedures like for example, in some states, they may make some judgments on reducing the amount of electric procedures until they can get the Delta COVID issue behind them. So you're going to see some variability by state and variability by some countries like India and Latin America countries were curtailing some of their procedures, same comment on Australia.

But as they hit certain COVID milestones, we expect that to be behind us. But importantly, for all these procedures, especially like procedures like cataract, ultimately, if they don't happen this year, the patient still is going to need the surgery. It will happen a year from now, 1.5 years now as they get more comfortable with the COVID situation. But if you have cataracts and you weren't able to have the procedure because of COVID, at some point, once we get this behind us, people will have that procedure. Most of the geographies, there's no issue in getting the procedures done but there are going to be some variability in certain countries or even within the United States within certain states like Texas or California may have some challenges now. But once they get it behind them, they will go back and redo those procedures and redo those procedures.

Arek Kurkciyan

Understood, great. One last question on B&L and then we'll move to other areas. As it relates to your Rx business, could you comment on the recent NDA resubmission and any kind of launch plans that you have post the PDUFA date which I believe is in October?

Joseph Papa

For XIPERE specifically, right?

Arek Kurkciyan

Correct. Yes.

Joseph Papa

Yes. So XIPERE is an important new product opportunity for us. The FDA accepted our NDA file for XIPERE. We have a PDUFA date is October 30, 2021. Once again, to me, it's just having one more opportunity to build out our portfolio of integrated eye health business. We think that XIPERE has a very novel mechanism of how to treat eye problems in the eye. But how they deliver into a certain space in the eye. We think that, that's an exciting opportunity for the future, certainly for XIPERE but certainly, there may be opportunity to take other medications, interest on the eye and we're excited about what it means to launch XIPERE but more importantly, to prove the concept and then take this potentially into other locations. We've been working very closely with our partner and look forward to getting it ultimately and FDA approved for the product. And if approved, we think it can help more patients.

Arek Kurkciyan

That's great. Let's move to your international business. Maybe you can spend a minute or two describing how to think about the various kind of geographies and product offerings there? And how some of the regions have kind of impacted the recovery?

Joseph Papa

Yes. I think overall, as I said before, there's some variation around the world but we're seeing a strong recovery across our business units. And we do see some COVID impact related to Delta particularly outside of the U.S.; we continue to monitor very closely. But probably can't speculate exactly when things will be happening like Australia, for example, some of the decisions they've made. But importantly, what we're looking at is making sure that we have a healthy and safe environment for our employees and that making sure that we have our products that are available for patients as they need them. And importantly, one of the things that we've been able to manage it, we think very well is through this entire COVID crisis, the global pandemic, we've been able to continue to make sure our product is available for patients every day when they need the product, we do have product availability. So, we're very pleased with what we've been able to do notwithstanding COVID and look forward to continuing to make sure that we're going to manage these different variability across the world or across country A or country B as well as maybe within state A or state B for the United States.

Arek Kurkciyan

Okay, great. I'm conscious of our time here and I do want to spend a couple of minutes on capital structure. But ahead of that, maybe you can provide just a brief overview of some of the pipeline and advancements that you've announced recently and I'm referring more specifically to amiselimod for UC and then NOV03. And if I've missed some more important ones as well, please do share.

Joseph Papa

Sure. Well, let me start with the NOV03 because that one is very excited. We completed the data for the first two Phase III trials in April of 2021. We had very significant results relative to both signed and symptoms of dry eye disease associated with meibomian gland dysfunction, very exciting data. Importantly, we also announced that we have completed enrollment in the second Phase III trial that we completed in July of 2021. If this is positive, trial is anything close to what we have in the first trial, we'll be able to submit a file to the FDA in 2022 for our dry eye product. It's a product that, unfortunately, so many people need both in the United States and around the world. We think that's a really exciting one for the future. Amiselimod, we've announced that we have started the recruitment of patients for our Phase II trial in ulcerative colitis. We think that, that's very important because whatever you thought about the opportunity for ulcerative colitis before, it's become an area of even more importance to for patients and for doctors that treat ulcerative colitis. Some of the JAK inhibitors have ran into some issues.

And we think that if we can prove that we have good data on amiselimod. It will be a great opportunity to help these patients who have, unfortunately, ulcerative colitis for the future. So we're moving that forward; we're advancing that -- those trials, getting all the sites enrolled and then looking forward to patient data on the Phase II results. And once we get that Phase II results, we'll make some additional decisions on where we go with the product. But we think it's an exciting future opportunity for us.

Arek Kurkciyan

That's great. Appreciate that. I think Sam is with you here, right?

Joseph Papa

Sam is here as well.

Arek Kurkciyan

Okay, great. Sam, perhaps I know our time here is limited together but perhaps you can talk about some of the recent changes to your capital structure. And I'm talking more specifically about the impact the leverage that you've seen from recent debt reductions, legal settlements, the Amoun divestiture? How does that all kind of fit together?

Osama Eldessouky

Thank you, Arek and it's good to be here. So I'll step back and just reflect back on the second quarter. So during the second quarter, we repaid $300 million of debt with cash from operations which brought our year-to-date debt repayment as of end of June to about $500 million. This drove our net leverage ratio to decline a whole half a turn from 7x in the first of '21 this year to about 6.5x as of end of June. Also at a year -- for the quarter, we repaid $500 million and we also used proceeds from the sale of Amoun as you referred by $600 million of debt was to repay down the debt which brings the aggregate debt reduction for as of year-to-date, about $1.6 billion. So, we're very pleased with the progress that we made on our debt pay down. As you look forward, we're factoring in what we look -- as we look forward to the rest of the year, we expect our net leverage to remain flat or slightly increase versus our 6.5x leverage that we had as of end of June. So really nice progress we made on the debt and the leverage and we look forward to continuing to pay down.

Arek Kurkciyan

Great. And one last question here just around margins. As you look across your business and the impact that we've seen from COVID and then the beginning of the recruit here, how have margins been impacted across your businesses? And any thoughts to share there after Joe gave us some of his insights on how the business has performed in a COVID environment?

Osama Eldessouky

Sure, it's a good question. So we guided the full year gross margin to be roughly about 71% for us. In our second quarter, we saw the gross profit margin was favorable by about 60 basis points versus Q2 of 2020 which all our business contributed to the improvement in the gross margin. So the way our testament is amounting to [ph] 71% for the full year in '21, we continue to identify and implement operating efficiencies within our global supply team which will enable us to absorb in COVID-19 factors and other mix impacts that we will see in the second half.

Arek Kurkciyan

Great, excellent. Well, folks, thank you very much for joining us here at the conference this year. It's always a pleasure to have you. And thanks, everyone, for joining via video conference. So have a great rest of the day.

Joseph Papa

Thank you, Arek. Thank you for your questions. Good questions.

Arek Kurkciyan

All right.

Question-and-Answer Session

End of Q&A

EXHIBIT 3

Seeking Alpha α

Transcripts Healthcare

Bausch Health Companies Inc. (BHC) Management Presents at Morgan Stanley Global Healthcare Conference Call Transcript

Sep. 17, 2020 8:03 PM ET | **Bausch Health Companies Inc. (BHC)** | 13 Comments | 2 Likes

Bausch Health Companies Inc. (NYSE:BHC) Morgan Stanley Global Healthcare Conference September 16, 2020 1:15 PM ET

Corporate Participants

Joe Papa - Chairman and Chief Executive Officer

Paul Herendeen - Chief Financial Officer

Conference Call Participants

Dave Risinger - Morgan Stanley

Dave Risinger

Great. So good afternoon, everyone. And thank you for joining us for the Bausch session. This is Dave Risinger, I cover both major and specialty pharmaceuticals. And it's a pleasure for me to welcome both Joe Papa, Chairman and CEO, and also Paul Herendeen, CFO and we're on a bit of a tight time slot here. And I did want to read this disclaimer very quickly.

But I'm pleased to also highlight that Bausch has posted slides on its Web site that management will be referring to you as some new disclosures. And so, I just need to mention that this webcast is for Morgan Stanley's clients and appropriate Morgan Stanley employees only. This webcast is not for members of the press. If you're a member of the press, please disconnect and reach out separately. For important disclosures, please see the Morgan Stanley site at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

And with that, let me turn it over to the Bausch management team.

Joe Papa

Thank you, David. This is Joe Papa, happy to have a chance to talk with everyone today. Thank you for joining us. As David said, myself and Paul Herendeen will have some comments today.

Before I begin, I want to just remind everyone that our presentation today contains forward-looking information, we'd ask that you take a moment to read the forward-looking statement pledges at the beginning of our presentation, as it contains important information. Let me just give you a quick objectives on what I'm trying to accomplish today. Number one, I want to update the third quarter 2020 business recovery, specifically we'll talk about as the business recovered from COVID impact that happened in March, April, May, we want to give you a sense of where we are today in the third quarter, we had some great data. It's early, but some really interesting data I'd like to share with you.

Number two, we want to provide additional insights on our August 2020 announcement to spin off PowerShell. That announcement is going to build on what we said on August 6 and we'll talk about the objectives of the internal organization design and timing and the capitalization structure and timing.

And then, finally, I want to give you a brief review of our two highly attractive businesses and talk about those businesses as we spin off Bausch and Lomb a pure eye health company and then also talk about the remaining Bausch Healthcare business as a diversified pharmaceutical company is what I want to share with you.

We have posted some slides as David said, I'm going to refer to a number of those slides by page number if you're able to look at those slides. It may be helpful to you but you can certainly look at him later.

Let me start today with the update on the third quarter 2020 business recovery. We think we're seeing some early but promising signs of recovery from COVID. The challenges we saw in COVID for March, April and early June, we are now seeing some recovery. And I'm going to refer you to Slide number 4 to start with some key data points on the promoted products, where we are focusing our attention in the business recovery.

Let me start with the U.S. Bausch and Lomb Vision Care business. If you look on page four of the materials we provided and you look at the top left hand, you'll see the U.S. Vision business was up 26% in the first quarter of 2020 versus a year ago, however, we clearly saw a decline starting in mid-March, April, May and into June of approximately about 33% during that time period, on average. Since that time, July and August, we are seeing a recovery that is in progress. The average weekly results there versus a year ago, are now up about 8% on average. So clearly, the business went through a trough due to COVID, and is now seeing a recovery.

If you look at the top right-hand side of that page, you'll see some data about the Stellaris Elite procedures in United States for the performance of those since the beginning of 2020. The Stellaris Elite is a medical device that tracks the number of surgeries both retinal and cataract surgery and sends that to us. We use this as a marker of the overall eye surgery business and what's happening but it's not anywhere complete in its data but it gives us a good indication of what's happening around the United States.

What you see here is that if you compare pre-COVID so that January to early March timeframe and then you see the dramatic drop off that occurred something like a 90 plus percent drop off in the performance of procedures, elective cataract and retinal procedures. And then importantly, starting in May, you see a climb back up. And we're now back to about 95%, of where we were pre-COVID. It gives you once again, some sense of the recovery that we are experiencing in the medical device area or as I said, a marker for surgery.

On the question of LUMIFY, bottom right-hand side, you'll see what was happening in terms of the growth of that product, very nice upward trajectory of the growth until we hit approximately that March timeframe, saw a dramatic decline due to COVID. But once again, after we exited that timeframe, in early April, May, we found ourselves seeing a nice upward trajectory again, once again, returning to pre-COVID level. So very excited about that.

And then, finally, on the bottom left-hand side of the page, I want to talk about VYZULTA. VYZULTA was launched in the 2018 timeframe, very nice trajectory and as you could see very limited negative impact due to COVID even during that February through July 2020. So, very nice trajectory with VYZULTA. Nice upward trend, you can see VYZULTA up about 50% versus last year, so good performance and that's in a market that is down for glaucoma about 3%. So it's very clear that we are gaining market share in our glaucoma space with VYZULTA. We're very excited about what that means for the future.

Now, this data I've gone through is mostly U.S. data, but we have a similar data, similar expectation around the world. But I will question you all that the global response is variable. In some parts of the world, we're seeing a nice rebound in China. However, Latin America is in the height of COVID so less impact there. So it gives you some sense of what's happening from a variable point of view around the world.

The next page I wanted to talk about Page 5 looks at our largest product XIFAXAN and gives you some indication on the top of that page, what's happening with XIFAXAN year-over-year. Once again, you can see early in the year, very nice growth, mid-single digit growth for XIFAXAN in prescriptions, then a rapid decline as a result of COVID and predominantly that was our IBS-D indication, [indiscernible] was still relatively stable as a chronic med IBS-D fell off, but as you look to July, August and early September, we are seeing some weekly increases in prescription levels versus a year ago, such that we're going back in a trajectory. And what we tried to do to help the investor understand our businesses that what was happening in the first 10 weeks of the second quarter that was dramatically impacted by COVID versus where are we in the first 10 weeks of the third quarter. And you can see on the right-hand side of the top of the page, about a 5% increase. So clearly, we are seeing some recovery occur with what we're seeing with XIFAXAN versus third quarter versus second quarter.

And I can go into that even a little more detail, because one of the things we knew was that IBS-D, which is more episodic, more reliant on new patients, in the first 10 weeks of the third quarter, IBS-D is now up about 20 plus percent, versus the second quarter. So it gives you some indication that the more episodic treatment with XIFAXAN IBS-D is also rebounding.

The other areas that I wanted to touch on was TRULANCE. You can see from the TRULANCE TRx trends some very nice growth since our acquisition of this product, we acquired it in March of 2019. We at the time of the acquisition said there's three things we want to do. Number one, we want to improve market access, number two, we want to increase reach and frequency of our promotion. And we wanted to pair it up with XIFAXAN. And we're seeing those results pay big dividends to our shareholders in terms of the acceptance of what we're seeing with TRULANCE up 50% year-over-year.

Once again, I remind you that market is only up 3%. So you're seeing clear gains in market share with our TRULANCE performance and the market is up about 3%, TRULANCE is clearly gaining shear in a very rapid fashion.

Then, finally, on the RELISTOR data bottom right-hand side of Page 5, you can see the first 10 weeks of 2020 versus second quarter versus the first 10 weeks third quarter, up about 4%. If I sub-segment that out even further and put in the oral data, I can tell you that the oral promoted product where we focus our efforts are up even about 7.5% versus the second quarter. So you're seeing very good growth, very good recovery underway, albeit very early in the process, but gives us the important indicators of the future.

Going to Page Six, there you can see some other activities with our JUBLIA product. Once again comparing second quarter first 10 weeks with third quarter up 50%. And also, if you compare the TRx's and the new patient starts called NBRx, both of them up, new patients up about 50%, total prescriptions about 21%, so clearly JUBLIA going in the right direction.

Our Thermage focal business led by the successful launch of Thermage FLX also on Page 6, top right-hand corner, you can see once again, strong growth in that business going back to 2019. Some declines in April of 2020 as we hit the peak of the COVID problem, but now in the July, August timeframe, once again growth year-over-year growth of about 40% in the July timeframe, growth over 100% in the August timeframe. So seeing some nice turnaround in our Thermage business relative to revenue change year-over-year.

And then, finally, I want to get touch base on DUOBRII. DUOBRII is our new launch for treatment of psoriasis. We think it's a very exciting product that will make a difference in patients' lives by reducing or delaying the need for biologics, you can see in the orange line there got off to a great start in 2020. Then, when COVID hit, because it's predominantly for new patients, we got hit significantly during that time. But you're seeing that versus the new patient starts versus products like ENSTILAR and OTEZLA, it is battling its way back. And we're now probably picking up about a third of those new patient starts compared with ENSTILAR and OTEZLA.

So we're making progress there still a lot more to do in our dermatology business, to be clear, in terms of what we're looking at in the future there but battling our way back in that road to recovery with our dermatology business.

I'm going to turn it over to Paul Herendeen in just a second, but I want to make a few comments before I do that as we update on the spin. Since we announced the August 6, we've had a chance to talk to many investors. I would say that many of the investors support our strategy to spin out B&L and to unlock shareholder value. There have been a number of questions on timing. One question on timing is why now? And let me just make a couple comments here.

You all know that when I joined this company Bausch Healthcare had a lot of debt, we had over $32 billion of debt. We had to pay down some of the debt that was part of it. We paid down over $8 billion of debt before we could go down this pathway. The other thing we felt we needed to do before we can go down this pathway is resolve some of the legacy legal issues like the class action lawsuits, the SEC Philidor investigation, the Salix class action, Allergan case, we got those resolved in terms of settling many of these items, there's still more things we're doing here, but a lot of these legacy issues are now behind us. We felt now was the time to consider this.

We also felt we had to make some investments to grow organically that was underway. It has been, we've been able to show prior to COVID, nine consecutive quarters of organic growth invested in incremental sales force, R&D, growth to pipeline, we invested in the CapEx required to launch the daily SiHy. So anecdotally things are going in the right way. And now we felt is the right time to start the B&L process and unlock the spin. We thought that would unlock shareholder value. And we think Bausch & Lomb will compare very favorably with the likes of an Alcon or Cooper. Paul describes some of the steps we're taking now going forward but we absolutely think now's the time to start. It's going to take some time to be clear. But let me turn it over to Paul, who is going to talk about the actual spin in some of the process.

Paul Herendeen

Yes. Thanks, Joe. I'll spend just a few minutes talking about our plans to spin out dry eye health business. And I'm going to be referring mainly to Slide 8, 9. So if you have that open, there you go.

Our motivations for separating the companies into two companies are quite simple and Joe's really covered this, but first, yes, we believe the underlying value our company is considerably greater than the way we trade in the capital markets today. We believe that by separating into a global and diversified pharma company and a fully integrated pure play eye health company will narrow that gap. Second, we believe that separating the two companies will improve the prospects for value creation in both businesses through enhanced focus, leading to more efficient and effective allocation of capital.

Now, typically gating factors and spinning out a business would be -- how quickly can you stand up the 2B spun entity, that you need time for preparation of financial statements and SEC filings and you want to provide time for a new management team to gel prior to the spin. Now these things are well within our control. Those processes are in motion and we intend to complete those elements as soon as possible. The complicating factor as Joe just referenced for BHC is the degree of our financial leverage today. And that leverage, of course has been exacerbated by the COVID-19 pandemic.

With our primary goal being to deliver value to current BHC shareholders, spinning off the eye health business to unlock value will only work, if post spin, the financial market see attractive opportunities for value growth in both entities. A factor in how the markets will value each entity will be in the pro forma leverage of both of those entities. Both must be properly capitalized, such that they retain the financial flexibility, access to capital and the freedom to operate.

Now, after announced back in August, several people questioned how given our leverage, we could actually spin off the eye health business. And while there are a number of alternatives for any separation, here's one way we may proceed. And I'll call this the plain vanilla straw man. At the time of a spin, we could stand up the eye health business and we could raise debt capital and say roughly 4x its trailing adjusted EBITDA, which would include the impact of the synergies, and we could use those proceeds to pay a dividend back to BHC. BHC would use that cash to prepay debt.

At the same time BHC would sell roughly 20% of the equity of the eye health business in an IPO and use those net proceeds to prepay additional BHC debt. Now, the eye health business would, by definition, in this example, be levered roughly 4x. Under this scenario, BHC post spin would have roughly the same leverage as it would pre-spin, let me explain.

Levering the eye health business at 4x would clearly increase leverage at BHC. But the deployment of the net IPO proceeds would approximately offset that increase. Importantly, for this scenario to work, the post spin BHC leverage needs to be a five handle, say approximately 5.5x trailing adjusted EBITDA and that means that pre-spin because I just explained, BHC HoldCo leverage would need to be roughly 5.5x to facilitate the spin. The best ways we can get there, as we've talked in the past via prioritization of our cash flow to debt reduction, and of course, especially coming out of the COVID situation, the expansion of operating earnings.

Another path could be the potential sale of assets, commanding high multiples. Regardless, the timing of when the spin of eye health will make sense for all stakeholders of BHC is difficult to predict. But we are doing everything we can to develop the spin as an actionable means of delivering value to shareholders. To be clear, developing the spin alternative does not eliminate any other paths. And we of course, continue to actively pursue all available options for unlocking shareholder value. Back to you, Joe.

Joe Papa

Thank you, Paul.

If I go to Page 10, what we wanted to do in the remaining pages, I'm not going to go through them in a lot of detail, we'll just go through very briefly. But what we wanted to basically do in this last section of the presentation is just say, we view that we have two great business, two highly attractive business with the B&L business, which is a pure play, eye health business driven by megatrends. And we would say, arguably the most integrated, eye health business and what I mean by that, we are in the surgical business, we were in the prescription business, the consumer business, the vision correction, the multipurpose solution, we think we have one of the most integrated eye health businesses and certainly this has critical mass with $3.7 billion of revenue.

So we've clearly believe that is a strong business. And as I said before, one that compares very favorably with the likes of an Alcon or Cooper, and we think that that is a strong business with 3.7 billion of revenue. So clearly, that's one business.

I want to make mention of the remaining Bausch Healthcare business that is going to be a diversified pharmaceutical business with leading positions in gastroenterology, dermatology, aesthetics, neurology, and has a significant international pharma component. But we have leading positions in each of those businesses. So those are the two business segments.

On Page 10, that gives you a quick overview of B&L that clearly with what Paul said about these synergies and what's in the presentation that can help you think about not only the revenue side, but taking that down to the EBITDA line gives you some sense of where we are as a business.

The next page, Page 11. And the following pages will just go through each individual business segment. The global consumer example, we look at it, 1.4 billion, 4% CAGR and what's going to rely on is the increasing key driver of the incidence of macular degeneration and the increasing prevalence of dry eye is two of the examples of things that will drive future success with global consumer.

Next Page 12, global vision care, you see $848 million pro forma revenue, outperforming the market with about a 7% compounded annual growth rate for 2017 to 2019. So we are clearly growing that business, growing that business relative to market share as well. And I remind you that we're fortunate we have a very strong position in Asia, which is one of the fastest growing parts of the world population. So we're very fortunate what that means to us in terms of having a leading position in countries like China, Thailand, India, Japan, a very strong position there.

So gives you some sense of that. And importantly, that business is going to be supplemented with our launch of silicone hydrogel products around the world. We've launched so far in the United States and Japan. We're excited about what that means for a future.

Page 13 goes through the global ophthalmology prescription business 2017, 2019 compounding growth rate of about 6% on a $761 million. You can see from that it's mostly U.S. and Canada were the primary part of that vision is today. And then, finally, the global surgical business about $700 million business growing about 4%. And you can see a pretty diverse part of the global mapping there in terms of our footprint around the world. So that gives you some sense on the Bausch & Lomb. I'm not going to spend much time on BHC's remaining business other than say what I said before, the diversified pharmaceutical company, leading positions in gastroenterology, static dermatology, neurology and international pharma. It is a large business at $4.9 billion. So clearly, we think it's a business that has a lot of opportunity for future growth.

David that really concludes what we wanted to cover on the presentations for everyone today. Happy to return back to you if there's any specific questions for myself or Paul to address, be happy to address questions.

Question-and-Answer Session

Q - Dave Risinger

Great. Thanks so much. And thank you for the comprehensive update. It's very helpful. So I guess, first, with respect to the leverage figures, so this is, I'm going to try to find the slide number. It looks like slide eight, that Paul was referring to, just so that we understand Paul, could you remind us what Bausch Health leverages today and whether that's net debt on trailing EBITDA or how when you talk about, for example, Bausch & Lomb leverage targeting 4x at the time of the spin, what's the numerator and what's the denominator? Not the numbers, not the exact figures, but I just don't know if you're looking at trailing EBITDA or forward EBITDA et cetera?

Paul Herendeen

Yes. It is trailing EBITDA; it does need to be adjusted for the dyssynergies we provided today in our materials help for parties who were trying to model by aligning the magnitude of the dyssynergies and where they reside. It would be net debt, I point out that people that are looking at our balance sheet today, we do have some cash still on our balance sheet, or as of as of June 30, that is as hived off and needed to settle the legal actions. And so watch out you mean, we typically carry somewhere around in the aggregate around 800 odd million dollars of cash in the system, but it would be net debt over adjusted EBITDA which would be TTM, trailing 12 months as adjusted for dyssynergy. So does that answer, David?

David Risinger

Yes. That does. And what were the figures as of the end of June for the company?

Paul Herendeen

Yes. I confess I don't have my deck; it was like $24.3 billion or $24.4 billion and it's going to kind of pull up the number from –

Joe Papa

That was 23.733 on the net debt for -- total debt was 24.6 as of June 30, 2020.

Paul Herendeen

Yes, 24.6 and trailing 12 months as of June 30 of adjusted EBITDA was 3.275 million, a different way to think about Dave because as I referenced, we like any other company had its businesses impacted in meaningful ways by COVID-19. If you prefer to use our guidance for calendar 2020 and guesstimate that we will be somewhere below $24 billion of net debt at the end of the year, the over levered in the low 7s as of the end of this year, clearly, as I just articulated, a level that would be too high to affect the spin, using this plain vanilla approach. I hope that answers.

Dave Risinger

Yes, that's helpful. And you also mentioned the opportunity to potentially sell highly valued assets. Could you just provide a little bit more perspective on that and that opportunity to reduce your debt?

Paul Herendeen

Yes, sure. I mean, I referenced right at the end of my remarks. The best ways we can reduce our debt are by generating cash and using that to pay debt and by expanding our operating earnings, faster than people think that we're going to. The other way would be to sell high multiple assets and Joe, myself, I think in the entirety of the time that we've been here, for Joe, I'm actually just a little over four years and Joe has five, six months or so, however, we've always been ready, willing and able to entertain the sale of assets to your parties that might be interested in paying value. Partial of my stating that we believe that there's a disconnect between the way the market values our company today, and how we see the value of the assets we own is that within our company, there are many pieces of business that we think would trade at multiples that are dramatically higher than the enterprise value multiple that we trade at today. And to the extent that someone has to come forward and we've demonstrated this in the past, with the right offer, you can 100% say that this company would engage in that discussion. And if we were able to get to a place where we felt was the right value, we will go ahead and do that. And that would potentially accelerate the delevering which would facilitate, the spin. So I'll leave it at that.

Joe Papa

Maybe just to build on what Paul said, because I agree with what he said, it is that just from a historical point of view, since Paul and I arrived, we have divested approximately $4 billion of non-core assets. So there's not a reluctance on our side where we think through that, we've made the measurement. We've known from the first day we got here, that we had too much leverage. And we've been working diligently as I said, we pay down over $8 billion of debt, but we still recognize that we have too much leverage and we're working to pay that down and reduce that leverage. And to us, the best way to do it was on the track that we mentioned, nine consecutive quarters of organic revenue growth, obviously then impacted by COVID. But we would need to get back on that growth trajectory since we resolved the COVID questions here.

Paul Herendeen

I'm going to ping right back on Joe, because, Joe said non-core assets, to be clear within that was a fairly sizable transaction that was a core asset which was our skincare business, mainly [SerVi] [ph], that we ended up transacting, rather with L'Oréal, because we found the intersection of somebody for whom that asset made more sense and was able to pay a price that, as I love to say, exceeded the value in our hands. And even though that was considered a core asset, we transacted there, because it was the right thing to do. So just to be clear, right transaction or at the right value, we will transact in order to deliver value back to our shareholders.

Dave Risinger

Got it. That's extremely helpful, and we're almost out of time here, but two other questions. So just very quickly, in terms of the 2020 guidance, are you still comfortable with that the figures that you updated when you reported the second quarter?

Joe Papa

We are not going to update between quarters, it is our policy just to make comments at the quarter. Only thing I'm going to say is that as we look at what's happening with COVID, there is a lot of uncertainty there. But what we are doing is trying to look at the -- what's happening with our business, trying to give the investors some information as we've done today, on how the recovery is occurring. But we're not going to make any specific comments on guidance at this time. We'll wait until November when we have additional data on the third -- the final third quarter data.

Paul Herendeen

I think the important thing, David, is that people may have looked at our Q2 and they say oh boy, point in it's very important in my opinion is the most important part of our opportunity to speak to you today is that, segments of our business that were dramatically impacted are showing real improvement over the course of Q3. And that's helpful when thinking about, q4 and starting to think about 2021, with the assumption that we're not going to see a return to -- how we were impacted by COVID back in the spring.

Dave Risinger

Very good. And then one final question, in terms of follow-on opportunities to XIFAXAN, could you just remind us the key pipeline readouts to watch and the timing?

Joe Papa

Yes. Just a reminder, we received a SSD formulation positive on one of our trials back, that was March, April timeframe. Now what we're doing is developing the additional formulations. We've got a couple different ones. We're looking with XIFAXAN. Number one, we're looking at the SSD formulation for indications that include everything from sickle cell disease, we're looking at SIBO, small intestinal bacteria overgrowth, we're looking at a new way of combining in a different formulation to go after the indication of IBS-D, with improved efficacy, this is a different formulation. So what we're looking at is a number of formulations and a number of indications, we've got a post-operative underway. We believe we can also look at treating patients before they get to [indiscernible] simply when they're in a decompensated cirrhosis state.

So a number of other things we're looking at with new indications and new formulations that we are currently studying, believing that those will improve the patient benefits or patients who have any type of gastroenterology disease. So, new indications and new formulations, David is the way I would phrase it. And we do have additional information in our second quarter that we talked about each of those in more detail.

Dave Risinger

Excellent. All right. Wonderful. Well, listen, thank you so much. Really appreciate all the updates and have a great rest of the conference.

Joe Papa

Thank you. Thank you, everyone for your attention. Have a great day, everyone.

EXHIBIT 4

Bausch Health Companies, Inc. (BHC) CEO Joseph Papa on Q2 2021 Results - Earnings Call Transcript

Aug. 03, 2021 12:25 PM ET | **Bausch Health Companies Inc. (BHC)** | 7 Comments | 1 Like

Q2: 2021-08-03 Earnings Summary

Play Call Slides Press Release 10-Q

EPS of $0.97 beats by $0.01 | Revenue of $2.10B (26.20% Y/Y) misses by $18.24M

Bausch Health Companies, Inc. (NYSE:BHC) Q2 2021 Earnings Conference Call August 3, 2021 8:00 AM ET

Company Participants

Arthur Shannon - SVP & Head, IR & Global Communications

Joseph Papa - CEO & Chairman

Osama Eldessouky - CFO & EVP

Scott Hirsch - President, Ortho Dermatologics & OraPharma and Chief Strategy Officer

Thomas Appio - President & Co-Head Bausch + Lomb/International

Conference Call Participants

Christopher Schott - JPMorgan Chase & Co.

Douglas Miehm - RBC Capital Markets

Annabel Samimy - Stifel

Umer Raffat - Evercore ISI

David Amsellem - Piper Sandler & Co.

Kenneth Cacciatore - Cowen and Company

Balaji Prasad - Barclays Bank

Daniel Ziment - Goldman Sachs Group

Operator

Good morning, and welcome to the Bausch Health Second Quarter 2021 Earnings Call. [Operator Instructions].

As a reminder, this call is being recorded. I'd now like to turn the conference over to Art Shannon, Senior Vice President, Head of Investor Relations and Global Communications. Please go ahead, sir.

Arthur Shannon

Thank you, Rocco. Good morning, everyone, and welcome to our second quarter 2021 financial results conference call. Participating on today's call are Chairman and Chief Executive Officer, Mr. Joe Papa; and Chief Financial Officer, Mr. Sam Eldessouky; Bausch former CEO, Tom Appio; and CEO of Solta, Scott Hirsch. In addition to this live webcast, a copy of today's slide presentation and a replay of this conference call will be available on our website under the Investor Relations section.

Before we begin, we'd like to remind you that our presentation today contains forward-looking information. We would ask that you take a moment to read the forward-looking statement legend at the beginning of our presentation as they contain important information.

This presentation contains non-GAAP financial measures. For more information about these measures, please refer to Slide 2 of the presentation. Non-GAAP reconciliations can be found in the appendix of the presentation posted on our website.

Finally, financial guidance in this presentation is effective as of today only. It is our policy to generally not update guidance until the following quarter and not to update or affirm guidance other than through broadly disseminated public disclosure.

With that, it is my pleasure to turn the call over to Joe.

Joseph Papa

Thank you, Art, and thank you, everyone, for joining us today. I will start by briefly covering the second quarter highlights before turning the call over to Sam Eldessouky, our CFO, to review the financial results in detail and discuss our 2021 guidance. We'll then review the segment results and recovery. Finally, we'll provide an update on the spin-off of Bausch & Lomb before opening the line for questions.

But before I address these topics, I would like to comment on this morning's announcement that we have decided to pursue an IPO of our Solta Medical business. Over the last few months, we completed a thorough review of the strategic alternatives for Solta, including audit, the financial performance, growth drivers and future revenue opportunities.

We believe a Solta IPO will help us accomplish 2 important objectives. First, we intend to use the proceeds of the proposed IPO to pay down debt, which will help effectuate the previously announced spin-off of Bausch & Lomb. Second, we believe an IPO of Solta Medical will help unlock the value of a high-growth business that would compare very favorably to peer medical aesthetic companies in terms of valuations while maintaining future optionality.

Simply stated, we believe that the actions we've announced will result in the creation of 3 attractive, focused companies: Bausch & Lomb, a pure-play integrated eye health company; Bausch Pharma, a global diversified pharmaceuticals business; and Solta Medical, a leading global provider in the medical aesthetics market.

Moving now to Slide 4. While there are some pockets of variability due to new COVID variants, our overall recovery from the impact of the pandemic remains in progress over the second quarter. In Q2 2021, total company revenue grew by 26% on a reported basis and by 23% organically, driven by strong year-over-year recovery across the business units. This strong growth was offset by the impact of a recall of an international consumer product due to a quality issue at a third-party supplier that I will discuss in more detail when we cover the global consumer business.

Importantly, our business generated strong cash flows from operations of $395 million on a GAAP basis and an adjusted cash from operations of $425 million in the second quarter. We continue to see strong performance, including market share gains and recovery from leading brands. In fact, LUMIFY achieved a record sales of $29 million in the second quarter, and we expect it now to be a $100 million brand on an annualized basis. We also delivered near-term R&D catalysts during the quarter, including we completed the enrollment of a Phase III trial for NOV03. We obtained FDA approval for and launched ClearVisc, and we are submitting an NDA for XIPERE with a PDUFA date of October 30, 2021.

Debt repayment remains a priority as we continue to focus on accelerating strategic alternatives to unlock shareholder value. We repaid $300 million of debt in the second quarter of 2021 using cash generated from operations. Year-to-date, as of August 3, we have reduced debt by $1.25 billion, which includes a $600 million in connection with the Amoun divestiture, which we announced the closing of yesterday.

And today, we announced that we plan to redeem an additional $350 million of bonds, which when completed will bring our aggregate debt reduction for the year to $1.6 billion. Finally, I want to mention that we have settled another legacy legal matter that relates back to a 2012 patent settlement agreement on Glumetza. As we disclosed in our 10-Q filing, we have now reached agreements in principle to resolve the claims of the class and the non-class plaintiffs.

To summarize, our second quarter results demonstrate that recovery remains in progress. Our business is generating strong cash flow from operations, which has enabled us to make great progress paying down our debt. And we are taking action to accelerate strategic alternatives process and unlock shareholder value.

With that, I'll turn it over to Sam to cover the financial results in more detail.

Osama Eldessouky

Thank you, Joe. We're pleased to report second quarter revenue of $2.1 billion, up 26% on a reported basis and 23% organically. Looking at our second quarter 2021 and year-to-date performance, we're seeing a nice recovery in all our businesses, and more importantly, very nice sequential growth in 2021.

As you recall, last year, COVID-19 had a negative impact on our business with second quarter 2020 being most impacted. Therefore, it's important to point out that this current quarter benefits from this comparison. As the market stabilize and our teams continue to execute on our strategy, we're seeing a steady progress towards recovery. I want to spend a minute addressing our recovery.

Similar to last year, the recovery varies by type of business and by country. To date, despite the emergence of the delta variant and -- of COVID-19 in the U.S., in general, life and commerce appears to be trending back towards normal. But outside the U.S., certain countries continue to face COVID-19 challenges and others that are impacting the pace of market recovery. In order to give you a sense of our recovery, I thought it might be helpful during my comments today to provide you with some color on how our Q2 2021 performance compares to Q2 2019. which we believe to be a good reference for pre-pandemic levels.

If we turn to Slide 5, starting with the B&L segment. Second quarter revenue of $934 million was up 33% organically. All our businesses within the B&L segment contributed to the growth this quarter. Now turning to the Global Vision Care business. Second quarter revenue of $216 million was up 50% organically. The U.S. was up 102% and international up 38%. The growth in the U.S. demonstrates the overall steady recovery in the U.S. market, with growth coming from Biotrue ONEday and ULTRA brand, coupled with the success of our recently launched SiHy INFUSE, which was a key contributor in the quarter.

International Vision Care organic growth of 38% reflects the recovery in the market that we participate in mainly in Asia and parts of Europe. Biotrue ONEday, ULTRA and the SofLens family were all key contributors to the growth in the second quarter for International Vision Care. While we're pleased with the growth of our International Vision Care business this quarter, it's important to note that we're not all the way back to pre-COVID levels, with some countries continuing to face COVID-19 challenges and are imposing new levels of restrictions. We do expect to gradually return to pre-pandemic growth rates.

Moving on to our Global Surgical business. Second quarter revenue of $185 million was up 97% organically, with the U.S. 92% and international up 100%. The growth in our surgical business reflects a steady market recovery. Both the U.S. and international surgical growth were driven by strength in the interior disposables with recovery in all regions led by Asia and Europe. To provide you with a point of reference regarding our recovery, the current quarter performance was up 1% organically as compared to second quarter 2019 performance.

Turning to our Global Consumer. Second quarter revenue of $341 million was up 9% organically with a U.S. consumer business up 20% and international consumer business down 2%. The growth in the U.S. consumer business was driven growth in our eye vitamins, Ocuvite and PreserVision, coupled with the strong LUMIFY performance. We're very pleased with the strong commercial execution in the U.S. consumer business. For the current quarter and year-to-date, the U.S. consumer business demonstrated solid growth against a strong first half of 2020, which was favorably impacted by pantry loading.

International consumer was down 2% organically, mainly driven by the product recall in Europe. Excluding the impact of the product recall, the international consumer business growth was in line with the U.S. consumer business growth. Overall, the global consumer business continued to perform well, gaining market share with a healthy growth trajectory. Excluding the impact of the product recall, the current quarter performance was roughly 6% organically as compared to second quarter 2019 performance.

Finally, for B&L, the Ophtho Rx business second quarter revenue of $192 million was up 27% organically versus second quarter 2020. The current quarter benefited from a comparison to a soft quarter last year due to eye surgeries being postponed due to COVID-19. The growth in the second quarter of 2021 was driven by higher volumes in our key promoted brands, PROLENSA, Besivance, LOTEMAX SM and VYZULTA. We've been making steady progress in expanding access and MedD coverage for VYZULTA and LOTEMAX SM. Although this increases the level of rebates, the improved access will position both VYZULTA and LOTEMAX SM to continue impressive TRx growth trajectories. In the current quarter VYZULTA saw a 31% TRx growth versus second quarter 2020. Finally, LOEs continue to be a drag on our U.S Ophtho Rx portfolio, continued erosion from LOE of LOTEMAX gel was a big factor versus the prior year quarter and versus Q2 2019, which was down 13%.

Now turning to Salix. Second quarter revenue of $516 million was up 28% from Q2 2020. Performance was mainly driven by XIFAXAN, that was up 28%; RELISTOR was up 23% and TRULANCE was up 65%. The 28% increase in XIFAXAN was all due to volume, with a 1/4 of the volume increase as a result of the increased end consumption and then the remainder of the increase was due to the nonrecurrence of the Q2 2020 wholesale and retail inventory drain that we experienced last year due to COVID.

As of the end of Q2 2021, our inventory levels were in line with our expectation and historical trends. XIFAXAN TRx trends are certainly moving in the right direction. As we discussed in prior quarters, COVID-19 has negatively impacted Rxs in the long-term care setting. While we're pleased with the recovery trend and sequential growth for the XIFAXAN prescriptions overall, prescriptions within the long-term care channel have not fully recovered to pre-COVID-19 levels. Despite this lag, we expect the long-term care business will rebound.

The 65% increase in TRULANCE was mainly driven by volume. If you recall, about a year ago, we secured several meaningful mass care wins for TRULANCE, which helped us drive Rx and volume growth. Overall, we feel good about the growth trajectory and the recovery trends to pre-COVID levels within our Salix business. To provide you with a point of reference, the current core performance was up 1% as compared to second quarter 2019 despite the impact of Apriso and Uceris LOEs. Excluding the LOE impacts, the base Salix business grew organically 9% in the current quarter as compared to Q2 of 2019.

Now turning to the International Rx segment. Second quarter revenue of $313 million was up 17% organically, driven by higher volumes of 19%, partially offset by lower net realized pricing. Europe and mainly Poland led the growth for the International Rx segment.

Moving to Ortho Derm segment. Second quarter revenue of $137 million was up 14% organically. The global Solta business delivered another strong quarter with growth of 64% organically. Thermage FLX continues to demonstrate an impressive growth trend mainly in China and the U.S. The medical derm business was down 15% organically, mainly driven by declining LOE assets on lower net realized pricing.

Finally, our Diversified segment. Second quarter revenue of $200 million was down 7% organically. Our Neuro business was down 4%. The decline was due to LOE assets partially offset by growth in Ativan and Aplenzin. Our generics business was down 40% organically with the biggest factor being the natural erosion of volumes and net pricing as additional competitors entered the market of our generic products. Finally, dentistry posted strong 225% growth organically driven by ARESTIN as it rebounds from prior year COVID-19 impacts.

Turning now to the core P&L on Slide 6. We already covered revenues, so I'll start with the gross profit. Gross profit margin was favorable by 60 basis points versus Q2 2020. All our businesses contributed to the improvement in gross margin, which is coming from favorable manufacturing variance as a result of higher sales volume with a favorable year-over-year comparison. We continue to identify and implement operating efficiencies within our global supply chain, which enabled us to absorb COVID-19 factors and other mix impacts. Note that in our guidance for the full year 2021, gross margin is expected to be roughly 71%.

Within operating expenses, on an adjusted basis, SG&A costs were unfavorable by $118 million versus Q2 2020. This represents our efforts to redeploy our sales promotional resources as the market recovers to support our growth trajectory in 2021 and beyond. If you recall, second quarter of 2020 performance was negatively impacted by COVID-19 restrictions, which required us to dramatically reduce our OpEx spend last year. That said, we're reducing our expectation for SG&A for the full year 2021 from roughly $2.5 billion to roughly $2.45 billion to reflect our expectation of the full year spend trend.

R&D increased by 6% as compared to Q2 2020 as we gradually continued to return to a more normalized run rate in supporting our future pipeline and key projects. We do expect that spend trajectory will increase in the second half of 2021. That said, we're updating our expectation for R&D for the full year from roughly $525 million to roughly $500 million.

Adjusted EBITDA of $826 million for the quarter, up 28% on a constant currency basis from Q2 2020. Keep in mind that the current quarter adjusted EBITDA was negatively impacted by the product recall in our consumer business. Our adjusted EBITDA margin in the current quarter is 39%. Excluding the impact of the recall, our adjusted EBITDA margin would have been in line with our normal run rate of 40%. Looking forward to the full year, we do expect our adjusted EBITDA margin to be approximately 40%.

Turning to Slide 7. During the quarter, we generated $395 million of cash from operations on a GAAP basis. Adjusted for the sum of legacy legal liabilities, Amoun divestiture and separation-related costs, the cash generated from operations was $425 million. We are very pleased with the strong cash generation in the quarter and the year-to-date. Therefore, we're updating our guidance for adjusted cash generation for the full year from roughly $1.5 billion to roughly $1.6 billion.

Turning to Slide 8. We continue to make very nice progress in our debt paydown. During the second quarter, we repaid $300 million of debt with cash from operations, bringing our year-to-date debt repayment to $500 million. Our focus and commitment to reducing our debt, combined with our strong recovery from Q2 of last year, has drove our net leverage ratio to decline a whole 0.5 turn from 7x last quarter to 6.5x in Q2. We're very proud of this accomplishment, continuing our progress on debt repayment.

After the quarter close, we repaid $150 million of debt with cash from operations. And effective today, we will have repaid an additional $600 million in connection with the Amoun divestiture, bringing our year-to-date total debt repayment as of today to $1.25 billion. Furthermore, we today announced a planned redemption of $350 million of bonds on September 2, 2021, using cash on hand and cash from operations, bringing year-to-date aggregate debt reduction to $1.6 billion.

Something to keep in mind. While we're very pleased with our progress on our debt pay down so far, looking forward, we don't expect to see such a rapid decline in our leverage ratio in the second half of 2021. Recall, Q2 2020 had an exceptionally low EBITDA due to the negative impact from COVID-19, and we began to recover in the second half of 2020 while still reducing our OpEx spend. As such, the strong EBITDA from Q3 and Q4 2020, coupled with the anticipated legal settlement, will impact our second half 2021 leverage ratios and debt pay down. For the remainder of 2021, we expect our net leverage to remain flat or slightly increase versus our 6.5x leverage we have today.

On Slide 9, we continue to make nice progress with our debt maturities. And as of today, we don't have any debt maturities or mandatory amortization payments until 2025.

Now turning to our guidance on Slides 11 and 12. Today, we revised our guidance for revenue for full year 2021 by $200 million to new guidance in the range of $8.4 billion to $8.6 billion. This change is the result of 3 factors: First, it reflects a loss of $120 million of Amoun revenue following the July 26 closing; second, it reflects unfavorable currency movements relative to our May guidance of $30 million; third, it reflects the impact of the product recall of roughly $50 million.

We're also updating our adjusted EBITDA guidance to reflect the EBITDA contribution from Amoun of $40 million and the unfavorable currency movement of $10 million. Our revised guidance for adjusted EBITDA is in the range of $3.35 billion to $3.5 billion, even after absorbing the roughly $50 million impact of the product recall. In addition, we also updated a number of our key guidance assumptions on Slide 11.

Now back to you, Joe.

Joseph Papa

Thank you, Sam. Let's begin with B&L on Slide 14. Global Vision Care saw a strong organic revenue growth, both in the U.S. and internationally, where organic revenue growth was driven by a rebound in the Asia Pacific region and the strong performance of AQUALOX daily lenses. In Japan, we saw revenue growth of 114% versus the second quarter of 2020.

Global Consumer organic revenue growth of 9% was driven by Ocuvite, PreserVision and LUMIFY. But as I previously mentioned, we initiated a recall of the multipurpose solution product based on a quality issue at a third-party supplier that provides sterilization services for our lens care solution bottles and caps for our Milan, Italy facility. Based on our internal analysis, it was determined that this issue did not affect safety and performance of the product. However, out of abundance of caution, we conducted a recall down to the consumer level on a limited number of affected lots. Importantly, this issue has been addressed, and the Milan facility has now returned to full production capacity. Approximately $30 million of the expected $50 million total impact from the recall is reflected in our second quarter results.

Finally, in global ophthalmology prescription business, VYZULTA TRxs grew by 31% compared to the second quarter of 2020, and we received statistically significant top line results from the first Phase III trial for NOV03.

The charts on Slide 15 show the recovery trends in key areas across this segment, all of which point to a recovery in progress for the B&L business. Turning now to Slide 16 for an update on Salix. Organic revenue demonstrates a recovery in progress of 28% compared to the second quarter of 2020. XIFAXAN revenue grew by 28% in the quarter and overall new Rx market share grew to an all-time high of 87.1% in the second quarter of 2021. TRULANCE TRxs grew by 27.8% in the second quarter versus last year compared to a market growth of approximately 5%, and TRx market share grew to 7% in the second quarter compared to 5.9% last year. Finally, RELISTOR TRxs grew by 12.5% in the second quarter versus last year compared to a market growth of about 1.4%.

The charts on Slide 17 demonstrates the positive Salix TRx trends we are seeing for our key promoted products, which are either recovering from the impact of the pandemic, such as in the case of XIFAXAN or continuing to perform well in the case of TRULANCE and RELISTOR.

Moving to Slide 18. The International Rx segment grew organically by 17% compared to the prior year quarter, driven by ongoing business recovery. This segment has a broad and diverse portfolio of Rx products. And we've shown the strong track record of quarterly organic growth for this segment going back to the first quarter of 2019 and the chart on the top left.

I'd like to take a moment now to talk about our Solta Medical business and the proposed IPO that we announced this morning. The key terms are outlined on Slide 20. We are pursuing an IPO of Solta Medical, a leading global provider in the medical aesthetics market. Post IPO, we expect the company would have a tax rate in the mid-teens, would be domiciled in Canada, and we intend to finally list Solta on the NASDAQ.

Solta Medical had $253 million of revenue in 2020, a revenue CAGR of 32% from 2017 to 2020, an adjusted EBITDA margin of 53% and a gross margin of 75%. With me today is Scott Hirsch, who will lead the Solta business as CEO effective September 1, 2021. Scott joined Bausch Health in 2016 and currently serving as the President of Ortho Dermalogics and OraPharma and our Chief Strategy Officer. In addition, Paul Herendeen will serve as the Chairman of the Solta Medical post IPO.

I'll turn it over to Scott now to give us some additional background on Solta and why we think this business is poised for continued growth.

Scott Hirsch

Thank you, Joe, and good morning, everyone. First, let me start by saying how incredibly excited I am about this opportunity with the Solta Medical business. And let me express our collective appreciation to the Solta team, especially Tom Hart and the management, but really the entire Solta team which has made and continues to make Solta such an exciting growth business.

Global Solta generated 48% organic revenue growth and 95% adjusted EBITDA growth during the first half of 2021 versus the first half of 2020, anchored by Thermage franchise organic growth of 36%. As Joe mentioned, Solta has some of the strongest operating margins within the Bausch Health branded businesses.

Moving to Slide 21. By way of background, Solta was founded in 1995, launched its first commercial product in 2002 and was acquired by Bausch Health in 2014. It has a track record of pioneering technologies in the nonsurgical skin tightening and skin resurfacing categories, along with body contouring.

Solta Medical's energy-based medical devices are sold to dermatologists, plastic surgeons, physicians and medical spa practitioners around the world. Solta's key products include Thermage, Clear + Brilliant, Fraxel and VASER, and Slide 27 in the appendix contains more detail about each product. Over the past several years, Bausch Health invested in R&D for Solta. We launched new products, including Thermage FLX and Clear + Brilliant Touch and expanded the business' geographic footprint. Furthermore, the business as a cash pay business has effectively no reimbursement risk.

Moving on to Slide 22. The growth drivers of the business include exposure to the strengthening underlying market dynamics in the aesthetic industry, along with geographic expansion and product portfolio advancements. The business is today primarily centered in Asia and the United States and in the early stages of a broader European expansion with Latin America as the next potential market to systematically enter.

Here, we provide the historical financial for Solta, where you can see from the chart on the left that Solta has demonstrated consistent double-digit revenue growth for the past 3 years, with a revenue CAGR of 32% from 2017 through 2020. Strong sales performance has resulted in significant operating leverage, and the business had an adjusted EBITDA CAGR of approximately 87% from 2017 through 2020.

I will note that we do expect Solta to have approximately $30 million of stand-up costs. And with the law of large numbers, we do expect these extraordinary growth rates to moderate as the business scales, but we continue to believe Solta Medical can generate greater than mid-teens revenue growth while leveraging the bottom line.

Finally, I will point you to additional information about the portfolio and the peer group on Slides 27 and 28 in the appendix to help you develop your contextual reference for the business.

I'll now turn it back over to you, Joe.

Joseph Papa

Thank you, Scott. We are looking forward to working with Paul and Scott as we continue to grow and unlock the value of the Solta business. Moving to Slide 24. We have identified the key members of the team that will lead Bausch Pharma post separation. I'm pleased to note that upon completion of the IPO, Tom Appio will serve as CEO of a Bausch Pharma. Tom joined the company from Bausch & Lomb in 2013, has been serving as our President and Co-Head Bausch & Lomb International business since August of 2018.

In addition, we are announcing that Bob Spurr, who's currently the President of Salix Pharmaceuticals, will be the President of Bausch Pharma's U.S. business. Finally, Bob Power is one of our current directors, who will serve as Chairman of the Board of Bausch Pharma upon completion of the separation.

I'd like to invite Tom Appio to say a few words.

Thomas Appio

Thank you, Joe. It's an honor and privilege to lead Bausch Pharma at this important point in its history. We see many opportunities ahead for a global diversified pharmaceutical business with leading positions in gastroenterology, dermatology, neurology and international pharmaceuticals. The teams have been working hard to complete all of the internal objectives necessary to separate the businesses, and I'm looking forward to working with Bob Power and Bob Spurr and the rest of the management team to build and deliver value for Bausch Pharma's shareholders.

I will turn the call back over to Joe now.

Joseph Papa

Thank you, Tom, and look forward to working closely with you as you transition into your new role. Turning to Slide #25. We are dedicated to unlocking the value for our shareholders, and we are making good progress on the planned spin-off of Bausch & Lomb. We have completed the Bausch & Lomb financial segmentation. We have named key members of Bausch & Lomb and the Bausch Pharma leadership team and are on track to complete by October 1 our internal objectives necessary for the spin of B&L to be achieved.

We have filed an S-1 for Bausch & Lomb with the SEC, and we are now working to achieve the leverage ratio targets and financial objectives that we previously outlined. We are actively pursuing all opportunities to expedite leverage improvement and deliver shareholder value, including using cash from divestitures to help delever, accessing equity capital markets through the IPOs with optionality, organic deleveraging and improving working capital efficiency.

The proposed IPO of Solta Medical is a key part of this effort. And we have selected the Chairman and CEO. We have hired Morgan Stanley and Goldman Sachs to advise us on the strategic alternatives. We anticipate submitting a first S-1 for Solta Medical in the third quarter of 2021 and believe that the proposed IPO of Solta Medical can be completed by the fourth quarter of 2021 or the first half of 2022. We remain committed to unlocking shareholder value across our 3 attractive businesses as soon as possible, and today's announcement represents a step forward in that process.

To summarize, the steps we are taking will enable us to pay down debt by accessing the equity capital markets with B&L and the Solta IPOs by unlocking the value of these attractive assets that have been undervalued as part of an aggregated company. Our goal is to create 3 distinct and focused businesses: Bausch & Lomb, a pure-play integrated eye health company; Bausch Pharma, a global diversified pharmaceutical business; and Solta Medical, a leading global provider in the medical aesthetics market.

With that, operator, I'd like to open up the line for questions, please.

Question-and-Answer Session

Operator

[Operator Instructions]. Today's first question comes from Chris Schott with JPMorgan.

Christopher Schott

I appreciate the questions. I just had two probably centered around the same topic, trying to get at what the Solta IPO implies for the timing of a B&L separation. So maybe first on the Solta IPO. Would the plan be for a smaller kind of, let's say, 20% spin of the business then distribute these shares to shareholders? Or do you look to do a larger capital raise? I'm just trying to get my hands around just how much the Solta IPO could help address the debt load. Obviously, it seems like a really nice value unlock, but just maybe specifically on the debt load.

And then my second question, which I guess is really the heart is what's a reasonable time line to think about a B&L IPO and separation at this point? I guess, with the Solta IPO later this year, early next, should we assume a B&L separation would occur after that event? Or could these processes be done in relatively similar time frames, assuming that the financials are where they need to be?

Joseph Papa

Thank you, Chris. I'll take that question. First of all, good question. Our expectations on the Solta IPO is that we would look to register somewhere in that 20% to 30% of an equity sale of Solta Medical, somewhere in that range of a normal type of IPO to help address our debt. We do believe that we can do it as early as the end of 2021. So we'll look to try to do it in the fourth quarter, but obviously, it could go longer. It depends on, obviously, market conditions.

The question on the B&L spin. I go back to what we said previously. Our view on the B&L spin is we will complete all of the necessary internal objectives to be ready for B&L spin after October 1, 2021. However, as you appropriately point out, we do need to sort through the debt issues in front of us to get to the debt targets that we've previously talked about. And our view is that the Solta IPO will unlock value of Solta. If you compare it with some of the other peer companies in the space, I think you'll see that opportunity. But we clearly will use that to help us to pay down the debt opportunity for our company. So that's the plan.

I'm not going to give a specific timing for the B&L other than saying we will be ready after October 1, 2021. We just need to solve all the debt question. Obviously, you saw today, we've made great progress in what we paid down already this year based on the sale of the Amoun business, based on the EBITDA, based on the cash generation we've had, based on improving working capital efficiency, all the things that we've talked about before are all helping us to unlock this value.

Operator

Our next question today comes from Doug Miehm with RBC Capital Markets.

Douglas Miehm

I just want to go back to the expected cash flow. I know that we reported just shy of $400 million for this quarter. But can you talk about the puts and takes that you're expecting, Sam, over the next several quarters? Like should we be using a $400 million or something a bit lower than that? And can you explain to me how the legal settlement is going to impact that outlook on an ongoing basis?

Osama Eldessouky

Sure, Doug. And good question. So far we've been very pleased with the cash generation. As I mentioned, it's $425 million adjusted in this quarter and which brings really a good number for year-to-date. As you look forward, I think we have to step back and think about a couple of factors here. We've made a very nice progress on our working capital initiatives. And I think we've had our inventories starting from last year into this year come down to probably, I'll call it, the lowest level that we've seen in a while about roughly just shy of $1 billion. So it's a little over $1 billion. And I think we've made very nice progress on all other elements of working capital.

So with that strength on the working capital, that's where you see the inventory and the cash flow generation year-to-date. I don't expect the working capital and the inventory specifically to be coming down much further as we look into the second half. And that's why when you start thinking about the second half, we will see benefits still coming from working capital, but it's not going to be at the same levels that we've seen in the first half. That's why we're upping our guidance from $1.5 billion to $1.6 billion.

In terms of the legal expenditure, that will be a column to cash. We do expect that we will pay certain elements of legal expenditure in the second half of the year. The terms and the timing is still not 100% certain and determined, but we do have in our plan, and that's factored into our $1.6 billion.

Operator

Our next question comes from Annabel Samimy with Stifel.

Annabel Samimy

So Solta is clearly a high-growth component of derm. And in the last several years, you'd leverage this Ortho Derm platform, I guess, to help the growth there. How much are you going to have to build in terms of infrastructure to keep the company growing as it is? Or is there already a tremendous amount of leverage that you have there?

And then just secondly, bigger picture, noticing a bit of a pattern here with all the valuable components of Bausch Health? Do you have any intention of doing this with Salix as well because what you're left with is Bausch Pharma, which is a relatively diversified company, but we've always spoken about how pure-play companies such as, say, a GI company could unlock greater value. So are there any further intentions here with Bausch Pharma?

Joseph Papa

Sure. Let me try to take them in order here. First of all, on the Solta business, we are really excited. I mean, any business that you can see that kind of compounding the growth that we've seen in terms of revenue with Solta 30-plus percent revenue growth, 80-plus percent compounded annual growth on the EBITDA side, obviously, it speaks to that high-growth capability for this business. And importantly, an opportunity, we think, to unlock some significant value and go after that IPO. So we're really excited about that.

In terms of the infrastructure, we have put forth our belief on exactly what's there today. Scott made a comment that it will take approximately standup cost in the ballpark of $30 million to do that. But with the growth in the overall Solta business, we feel that, that focus that we could put on it will only allow us to continue to accelerate the opportunity with our Solta business going into the future. So we do think that that's a great opportunity.

And in the meantime, what we've been doing with the rest of the medical derm is we've been managing that business to increase the profitability and to be smart about where we're going with the promotions in the medical derm. So we're going to continue that approach as we think about the future.

The question about any intention to do anything further with Salix or any of our other businesses, I think the way I'd answer it is that as a company, we knew going back to 2016, we had too much debt. I think at that time, we had over $32 billion of debt. We paid down over 9 plus -- $9.5 billion of debt since that time. But we knew we had too much, and we've been working very diligent to reduce that debt. We also had to clean up some of the legacy legal issues. And I think if you sum all that up, it's somewhere in the $2.5 billion range. So we've had to clean up, I'd say, somewhere close to $12 billion of some of the challenges we found ourselves in going back 5 years.

Having said that, we're going to continue to look to try to unlock shareholder value in all of our businesses. We think we've done a really good job of putting incremental sales promotion resources behind the Salix business. They've done incredibly well. The XIFAXAN is starting to bounce back as we've seen in the quarter. So all those things are part of our plans for the future, but I don't want to make any specific comment about an IPO or spin with the Salix business. I think I'll just leave it with excited to unlock what we think are 3 great businesses, the B&L pure-play eye health company, the Bausch Pharma global business and then obviously now the announcement today, the Solta aesthetics business. So I think we'll leave it at that in terms of our strategic alternatives in terms of where we're going.

Operator

Our next question today comes from Umer Raffat with Evercore.

Umer Raffat

I had three, if I may. First, Joe, I want to say congratulations to Tom, to Bob Spurr, to Scott and Paul. And my question really was, the leadership team across B&L, across Solta as well as across the Bausch Pharma, it's a very capable leadership team. However, if you had asked a group of investors where each of this -- which business, each of this leadership team will be spearheading, the current presentation is not what they would have guessed. For example, Tom's background is in B&L, but he's heading the non-B&L business and vice versa. So I'm just trying to understand how Board thought about all of this? And was this one of the reasons with ValueAct departure or not?

Secondly, on Solta, I'm trying to understand how you're thinking about structuring the debt, Sam. How much are you -- how much leverage are you willing to put on that? And more importantly, what about the legal liability? How -- is Solta shielded from that or not? And then finally, Scott, did you ever get a real offer from a strategic on Solta for more than $2 billion?

Joseph Papa

Okay. So I'll start, and then I'll turn it over to Sam for the second question. And between Scott and I will answer that last part of your question. So leadership. We conducted a search. As we thought about Bausch Pharma, we looked internally and externally. And the Board was very involved with the search. And as we went through the search, we felt that the best person to head up the Bausch Pharma business was Tom Appio, and therefore, we made that decision for -- with Tom.

I'd also say that as we thought about the opportunity to create value for our shareholders as we thought about Solta, given Scott has that business today, he's done a great job with that business. And importantly, obviously, we believe Paul has done a great job as well. We thought the combination of Paul as Chairman, Scott as CEO, another great opportunity to take advantage of some of the great resources we have within the team. So it's a process that the Board was very involved with. We've done internal-external searches and had conversations with candidates. We felt, though, to be clear that Tom was the best for the Bausch Pharma business, and Scott was the best for taking on the Solta CEO roles in terms of going forward. So -- that's probably the best way I can answer that question.

I believe that ValueAct has -- this has nothing to do with ValueAct. I think Rob Hale has stated as he agrees with our strategy as he departed the company and importantly still is a significant shareholder in our business. So really no -- this has no impact on ValueAct and their decision to depart the Board. That was really just a time management issue for Rob Hale and what he was taking on some incremental Board positions.

Sam, do you want to take the Solta leverage and legacy -- legal, please?

Osama Eldessouky

Sure. And it's a good question, Umer. So let me start by saying that our main objective here is to unlock the value and unlock the value for Solta. And if you look at the slides that we went through and what Scott covered, it's a business that have a very strong EBITDA. As we think about it, it's probably maybe for modeling purpose, you probably assume maybe a onetime type of debt on it.

So it's really going to be in the structure where you would want to make sure that you actually unlock the value and position that business to be, continue that growth that they have and to continue sort of the trajectory that we have from a growth perspective and unlocking the value. In terms of the legal liability or legal legacy liability, there's no direct liability that's associated with Solta. So there will be -- there's nothing really therefore an exposure from a Solta perspective.

Joseph Papa

So the only thing I'm going to add to what Sam said because I think it's an important comment to also say, if you think about what we've been trying to solve is we've been trying to solve this debt issue for the company, I think everybody realizes that we've had a debt issue.

What we think we can do with the Solta IPO as well as the B&L IPO is to leverage our position in 2 highly attractive businesses and to raise equity, not at the total Bausch Healthcare level, but at the level of the individual attractive businesses, which I'll let the market tell me where, but certainly, at a -- probably at a significantly higher multiple than what we would expect with the overall Bausch Health company.

So look at the peers of B&L business where the Alcon trades or the Cooper trades, and I think that gives you some sense of B&L. And I don't want to make any comment specifically on Solta, but you all know the peers and you can make your judgments on things like that. So that's the concept of what we're trying to do there. Scott, do you want to talk about the Solta business.

Scott Hirsch

Yes. Umer, thanks. I won't directly answer your question, but I will say there's been a great deal of interest in the business, and I'll leave it to you to do a deep dive on peer valuations. But needless to say, I think Solta remains at the early stages of its growth, and that's because of its geographic expansion as well as its product enhancement profile and also the exposure to this market that's growing exponentially. And the IPO enables Bausch Health to participate in that forward growth and the valuation accretion over time. And so there's really the logic behind it. But I will say, yes, there's been great interest in the business, and I have high confidence in your ability to do a deep dive on valuation.

Operator

And our next question today comes from David Amsellem with Piper Sandler.

David Amsellem

So just a couple, one on Solta and one on medical dermatology. So just on Solta, maybe sort of a little bit of a different angle, and I realize this could be a backward-looking question. But as you certainly know in the medical aesthetics space, M&A has been historically a real theme here. So how should we interpret your decision to go the IPO route regarding Solta in terms of what that could imply regarding strategic interest and potential buyers? And again, realizing that's a backward-looking question, but I'm just trying to get a little bit of background on how you got to this particular decision as opposed to the M&A route. That's number one.

Number two is in terms of medical dermatology, Joe, you certainly historically have had high hopes for new launches there. Haven't quite panned out the way you might have hoped. I'm thinking of the significant 7. So once the spin is effectuated, can you talk about investment in medical dermatology and how should we think about that in terms of it being a core business as part of the broader pharma business?

Joseph Papa

Sure. Good questions. So on the Solta kind of angle, I think you said in terms of thinking about it from an M&A portfolio. I want to be very clear. We have spent over the last several months a lot of time thinking at all the different iterations we could think about for Solta. As Scott said, we did receive several inbound interest -- expressions of interest in the business.

As we thought about what do we do, we look at the financial performance. And I think if you look at the financial performance that we outlined and Scott walked through in terms of the historical growth CAGRs, we think that, that was clearly one part of it. What you probably haven't seen until today is we wanted to also provide you some understanding of the business that our shareholders own today in terms of the EBITDA generation of this business with an 80-plus percent compound growth rate for the EBITDA, we wanted to make sure our current shareholders understood that.

But importantly, as we thought about what does that mean for value creation of Solta, there's -- obviously, it's a couple of different ways we could have done it. If we sold the business, it would have simply capitated the value of that business at whatever price it was today. And what we said is that by going forward with an IPO, it gives us an opportunity to raise additional funds to allow us to help expedite the B&L spin, which is one thing we wanted to do. But it also allows the company in Bausch Pharma -- Bausch Health to also remain for the optionality of that business going forward.

That's our belief, a good opportunity to realize that upside value rather than cap the value at whatever the price is today. And when you have a business growing at 87% compounding growth rate on the revenue side, we felt that, that was important. And I certainly know as you look at the peer companies, you'll make your judgment as to relative value, and I'll let each one of you think about that as you go through it.

On the question of med derm, absolutely correct. I mean we have looked at the medical derm several times over. And what we've made decisions on is let's promote the products that we'll get the return on investment. Our business is all about looking at ROIs for our business. We did attempt to launch a number of products. We've had some positives, some negatives, but we certainly have looked at all the opportunities in med derm.

And we've decided the best way to approach that business is with a very critical eye on return on investment for where we can go with this business and launch products and make sure that we get an appropriate return on investment for our shareholders. We still think there is some opportunity there as we're continuing to move forward some of our med derm products that are in the R&D portfolio, and we'll still continue to move those forward. But we're going to approach it with a clear return on investment approach.

Operator

And our next question comes from Ken Cacciatore with Cowen and Company.

Kenneth Cacciatore

Just going back to the kind of the theme here. I think we can all agree that the public markets will give Bausch & Lomb and Solta a better value. I think we can kind of correspondingly though agree that maybe private equity or private markets would give the diversified businesses a better value kind of given the no growth profile. So can you talk about the parallel process that might still be going on here as we think through the eventual end stage of the spins. Is it active, would you call it? Or is there any kind of nuance you can give us around what might be happening behind the scenes?

Joseph Papa

Sure. Well, I think since I arrived and Paul arrived, I think we've sold somewhere in the range of $4.5 billion of proceeds accounting now the Amoun business included in that. And we're always going to look to opportunities to get an appropriate return for our shareholders and optimize the value for our shareholders. The businesses that we've sold to date, the average EBITDA multiple we received is somewhere in that range of about 11x. That's based on how much EBITDA we've sold for those businesses. We think that's been the right decision here before. As we continue to go forward, we're going to always listen to strategic alternatives, but we do think that the -- as you stated, the public markets, the IPO for B&L, the IPO for Solta, clearly, we think, will be the best way to unlock the value of both of those businesses.

And in fact, it will create, as I said before, 3 great businesses: the B&L pure-play eye health; the Solta aesthetic -- medical aesthetic company; and of course, our Bausch Pharma business, which we think will be a very good diversified business which they have a good track record of growth. If you look at what we've been able to do with that business as you look at the international pharma business, and that's a business that Tom Appio led, he's done a really nice job of continuing to show growth with that international pharma business. So I think on balance, we're going to be open to other considerations. We've done that in the past. We'll continue to do that, but I clearly believe that right now, the best way we can proceed is create these three great businesses.

Operator

Our next question today comes from Balaji Prasad with Barclays.

Balaji Prasad

Just going back to the IPO on Solta, again, lots of clarifications that at any point of time, did you consider keeping Solta and the eye care business or components of it together, where you have the same dynamics, same aesthetics appeal and cash reimbursement and maybe iterations of the management team being together on this.

Joseph Papa

So it's a very fair question. We do recognize that there have been some very successful companies out there with a combination of aesthetic business with an eye care business. So it is something we evaluate. We felt the best way to unlock value in this market and going forward for the future is to create the pure-play companies. The pure-play eye health company, which we will with B&L, and then a pure-play medical aesthetic company with Solta. There are some synergy -- your comment is fair. There are some synergies, but we felt the pure play allow us to focus on these individual business was the approach that would realize the best value for our Bausch Health shareholders.

Balaji Prasad

Just a follow-up also on -- yes, on the recent headlines around the $3 billion claim and the implications for the spin-off, both Bausch & Lomb and Solta?

Joseph Papa

Yes. We obviously have seen it. We don't agree with the -- we think there's some mischaracterizations and misrepresentations by the plaintiffs in terms of that claim against us in terms of the recent Bloomberg story. We believe that the Bausch & Lomb spin-off has no connection to the pending litigation, and we think that we announced the B&L spin-off going back now a year ago. So we don't think there's any misrepresentation. We think they've made misrepresentations. We think we're going to be able to continue to move forward with our programs.

And we don't think there's any legal basis for the concerns raised by the plaintiffs. And we believe it is merely a litigation tactic that they are employing to go forward with this. We obviously have already settled with the class. And we believe that we've taken care of certainly the majority of this. And to suggest that $3 billion numbers, we'll just leave that for them to try to rationalize why they suggest that. But we certainly think misrepresentation, mischaracterizations of what they've stated. Okay. Let me take -- we have maybe for one more question, please.

Operator

And our final question comes from Terence Flynn at Goldman Sachs.

Daniel Ziment

This is Dan on for Terence. Just one on the U.S. contact lens market. I was wondering if you could provide a little more commentary on the dynamics you're seeing within the SiHy daily space? And then what you're seeing in terms of recovery from the pandemic? And whether you think the upcoming back-to-school season will be somewhat normalized?

Joseph Papa

Sure. I was actually just with our U.S. SiHy daily -- actually entire Vision Care team about 2 weeks ago. And they are really excited about what they're seeing in the marketplace. They shared with me some of their data. Obviously, Sam went through the data in terms of their growth in the quarter, albeit off of a COVID-impacted 2020 quarter had been outstanding. But we are really pleased with what we are seeing in terms of the uptake of our SiHy daily product.

We believe that we have found a very important opportunity with our SiHy daily product be known in the United States as Infuse ULTRA ONE day outside the United States where we have an opportunity to truly help those patients who are facing the difficulty of wearing their products for a full 16 hours a day. And that opportunity where we've infused the INFUSE product includes an ocular protect -- an electrolyte is something that we think is really important to the patient, allowing the patient to have greater comfort through the entire day. And we've got great data, and the team has seen great data in terms of where they're able to talk to the doctors about the opportunity with the product.

To date, the majority of the product that we are receiving new patients is coming from other players in the space. So we're cannibalizing other companies, not our own business, which obviously, we think, helps us to continue to pick up market share for the future. So we do think the SiHy market today in the United States is somewhere in the, let's call it, mid-teens level, but we do expect to see that continue to grow as a percentage of the overall eye care Vision Care business, we'll see SiHy Daily growth from the mid-teens to beyond that and a real significant future growth potential for us in the United States, but also around the world. So very pleased, team is really motivated. They've been out working and just coming off a new sales meeting. So really excited about what it's going to mean for the future.

Well, thank you, everyone, for joining us today. We very much appreciate your interest in the company. Look forward to talking in the future. Thank you very much.

Operator

Thank you. So this concludes today's conference. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.

EXHIBIT 5

RKS
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July 20, 2021

VIA EMAIL

Craig Waldman, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017

Re: ***In re Valeant Pharms. Int'l, Inc. Sec. Litig.*****, Master No. 15-cv-7658-MAS-LHG**
Securities Direct Actions[1]

Dear Mr. Waldman:

We write to request information concerning the impact on the Securities Direct Actions of the contemplated spin-off by Bausch Health Companies Inc.[2] ("Bausch Health") of its eye health business ("Bausch + Lomb") into a separate public company. Although the spin-off was announced in August 2020, there has been no clarity provided about which company will be legally responsible to pay any judgments in our cases and whether such company will have the financial means to satisfy those judgments. Indeed, very little has been disclosed by Bausch Health about the financial composition of the post-spin-off companies, other than that the remaining company ("Bausch Pharma") will have a much higher debt ratio than Bausch + Lomb. As active litigants with claims for billions of dollars of damages against Bausch Health, we ask that Bausch Health immediately provide us with certain information and assurances concerning the financial implications of the spin-off.

Bausch Health has informed investors that after the spin-off it will effectively become two Canadian public companies with corporate offices in New Jersey, both of which will have their stock listed on the New York Stock Exchange and the Toronto Stock Exchange. The spun-off company, Bausch + Lomb, will consist of Bausch Health's existing eye health business, and the remaining company, Bausch Pharma, will consist of the other business units of Bausch Health. However, the two companies are expected to have materially different net leverage multiples. For Bausch + Lomb, the net leverage multiple is expected to be 2.5x, whereas for Bausch Pharma, the net leverage multiple is expected to be 6.5x-6.7x. Bausch Health's current CEO and CFO, Joseph

[1] The Securities Direct Actions are case nos. 16-cv-07321; 16-cv-07324; 16-cv-07494; 16-cv-07496; 17-cv-06513; 17-cv-07636; 17-cv-12088; 18-cv-00089; 18-cv-00343; 18-cv-00383; 18-cv-17393; 18-cv-00846; 18-cv-00893; 18-cv-01223; 18-cv-08595; 18-cv-08705; 18-cv-15286; 18-cv-17393; 20-cv-02190; 20-cv-05478; 20-cv-07460; and 20-cv-07462.

[2] Valeant Pharmaceuticals International, Inc. changed its name to Bausch Health Companies Inc. in July 2018.

Papa and Sam Eldessouky, will be leading Bausch + Lomb. Although there is no definitive timeline for the execution of the spin-off, Bausch Health has informed investors that it expects to have achieved all internal objectives to achieve the spin-off by the third quarter of 2021.

The Direct Action Plaintiffs have significant claims against Bausch Health that they have been litigating, in some instances, for almost five years. If they prevail at trial, the Direct Action Plaintiffs expect to achieve damages awards totaling in excess of $3 billion plus prejudgment interest. The recent announcement of the disparate leverage ratios of the post-spin-off companies, as well as the fact that Mr. Papa and Mr. Eldessouky will be joining Bausch + Lomb, raise serious questions about the contemplated transaction and its impact on the Direct Action Plaintiffs' claims. Indeed, it appears that the transaction may be designed, at least in part, to divert valuable assets and cash away from potential judgment creditors.

Accordingly, it is imperative that Bausch Health share with the Direct Action Plaintiffs at this time information about the contingent liability that the company is carrying relating to the Direct Action Plaintiffs' claims. First, please let us know where the multi-billion-dollar contingent liability will be carried post-transaction: Bausch + Lomb or Bausch Pharma (or some other entity). Second, please provide us with supporting data to confirm that the entity that will carry that contingent liability on its balance sheet will have sufficient assets and liquidity to pay judgments totaling in excess of $3 billion to the Direct Action Plaintiffs.

Given the timing of the contemplated transaction and its significance to these cases, we request that Bausch Health provide the requested information by July 26, 2021.

Very truly yours,

/s/ Lawrence M. Rolnick

Lawrence M. Rolnick

cc: Counsel for all Direct Action Plaintiffs

EXHIBIT 6

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BY E-MAIL July 26, 2021

Re: *In re Valeant Pharmaceuticals International, Inc. Securities Litigation*, Master No. 15-cv-7658-MAS-LHG

Lawrence Rolnick, Esq.
Rolnick Kramer Sadighi LLP
1251 Avenue of the Americas
New York, NY 10020

Dear Larry:

We write in response to your July 20, 2021 correspondence regarding the contemplated spin-off transaction by Bausch Health Companies Inc. As you acknowledge, the potential spin-off of Bausch + Lomb was announced nearly one year ago on August 6, 2020. Plaintiffs did not seek any information about the proposed spin-off, either informally or through proper discovery channels in these litigations, at any point between August 6, 2020 and your July 20 letter. Additionally, the purported "recent announcement" you cite regarding expected leverage ratios was announced on May 4, 2021—nearly three months ago. As such, your demand that we provide the information requested in your letter within four business days is unreasonable.

More significantly, you do not provide a legal basis—nor is there any legal basis that we can discern—for why you would be entitled to the information that you seek. The information you seek is confidential work product that remains under consideration by Bausch and its counsel and other advisors, and constitutes material non-public information about a proposed transaction. Even if such information were properly within the scope of discovery in these cases, the deadline for seeking such information through the discovery process passed more than four months ago on March 5, 2021.

Moreover, your letter does not establish that the requested information is relevant to the pending opt-out actions. Instead, your letter is rife with misstatements and misrepresentations, suggesting to us that your information requests are merely a litigation tactic and/or that you have not fully reviewed and digested the company's public statements

related to the contemplated spin-off. Your statement, for example, that "the transaction may be designed, at least in part, to divert valuable assets and cash away from potential judgment creditors" is without basis. You cite no evidence supporting this accusation. Indeed, contrary to your suggestions, the leverage ratios you cite provide no support for any purported allegations of possible prejudice to creditors, given, among other things, that the Company is currently more than 7x levered and both entities would be ***less*** levered after the proposed transaction at the cited rates of 6.5x-6.7x leverage or less than 2.5x levered.

As part of the process for effectuating the spin-off, Bausch anticipates publicly disclosing certain further information regarding the carrying of any liabilities. You should review that information when it is filed, just as any other interested party will be able to do. Otherwise, we can confirm the information contained in the public disclosures that have already been made – including the Company's August 6, 2020 press release, September 16, 2020 presentation at the Morgan Stanley Global Healthcare Conference, first quarter 2021 earnings presentation, and website related to the contemplated transaction (bauschhealth.com/spinoff) – and that Bausch is adhering to all laws and regulations in connection with the contemplated spin transaction.

Should you have any questions or want to discuss, please do not hesitate to call me any time.

Regards,

/s/ *Craig S. Waldman*
Craig S. Waldman